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the Autonomous Management School of
Ghent University and Katholieke Universiteit Leuven

RESEARCH REPORT

DETERMINANTS OF SUCCESSFUL INTERNATIONALIZATION BY SMES IN FLANDERS

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FLANDERS DISTRICT OF CREATIVITY

Flanders District of Creativity is the Flemish organization for **entrepreneurial creativity**. It was founded in 2004 by the Flemish Government as a non-profit organization and enjoys broad support. Flemish businesses, academia, and public institutions use Flanders DC as a platform for cooperation in the pursuit of a more creative Flanders region.

Creativity is the key ingredient in making companies more successful and in helping regional governments ensure a healthy economy with more jobs. Flanders DC inspires creativity and innovation:

1. by learning from the most **creative regions** in the world,
2. by igniting **creative sparks** in everyday life and business, and
3. by providing **research, practical business tools and business training**, in cooperation with the Flanders DC Knowledge Centre.

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Responses to global challenges are best found within an international network of excellence. With the single aim of learning from the very best, Flanders DC aims to unite the most dynamic regions in the world within the 'Districts of Creativity' network. Every two years, Flanders DC convenes the Creativity World Forum, bringing together government leaders, entrepreneurs, and knowledge institutions to exchange ideas about how to tackle pressing economic problems and make their regions hotbeds for innovation and creativity.



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- **Ondernemen.meerdan.ondernemen**, an online learning platform
- **Creativity Class** for young high-potentials
- **Flanders DC Fellows**, inspiring role models in business creativity
- **Creativity Talks**, monthly seminars on business creativity and innovation
- **Innovix**, online innovation management game
- **Flanders DC Academic Seminars**: research seminars on business creativity and innovation
- **TeamScan**, online tool



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Small and medium sized enterprises (SMEs) account for about 50% of national GDP, 30% of export and 10% of foreign direct investment (FDI) worldwide. Belgian SMEs are more internationally oriented than their European counterparts: 45% of Belgian SMEs import and 24% export. Four percent of Belgian SMEs invested abroad. In the EU27, Belgium has the highest percentage of SMEs with foreign from subsidiaries or joint ventures bringing them income (13%). Belgium, France and Germany are the most favored destinations for SMEs in setting up subsidiaries or joint ventures.

The main reason for having a foreign subsidiary or joint venture is proximity to customers, although this driver is more important for SMEs in the EU27 (26%) compared to those in Belgium (19%). Access to finance on the other hand is the second most important motive for SMEs in Belgium (18%), but the least important for those in the EU27 (7%). Most SMEs in Belgium stated the foreign subsidiaries or joint ventures had no impact on employment in Belgium. Furthermore, a greater number of SMEs reported a positive impact on home country employment than those indicating a negative effect.

Many SMEs in Flanders still use an internationalization strategy fitting the traditional stage models. Firms start internationalizing after years of purely domestic operations. International activities most often start with import, followed by export after some years. Other forms of internationalization follow much later in the firm's life. Firms that start selling abroad often first enter neighboring countries, in many cases the Netherlands. After a first export experience, a number of firms enter other nearby markets. These markets are often larger (e.g. Germany or France) than the first export market. A number of years later some firms seek further international expansion, outside the EU and outside Europe.

Nevertheless, a number of firms use a different approach to internationalization. These firms start internationalizing rapidly after inception, in many cases even within the first year of operations. These firms often operate in niche markets and use their distinct competences to target narrow market segments in multiple markets across the globe.

Innovative strategies

Innovative firms in niche markets use a different internationalization strategy than firms in mass markets. The product or service they sell often has a relatively short life cycle, resulting in a more rapid internationalization than typically found in firms producing more traditional mass products with longer life cycles. As a result, firms in niche markets opt for a rapid international expansion, as evidenced by the shorter lag between startup and internationalization, the presence in a larger number of markets and the geographical spreading of international activities across the globe. Firms selling niche products also indicate the relevant market for their product is either European or global. This implies these firms are more likely to opt for a sprinkler strategy, in which multiple markets are entered, rather than a waterfall strategy. These SMEs also indicate that entering new markets is the main driver for their foreign turnover, whereas SMEs in mass markets aim to increase sales in markets in which they already have a presence.

These SMEs also use a more proactive approach to internationalization and are more involved in international networks. They also use multiple modes of internationalization, including foreign sales subsidiaries, production plants, joint ventures and licenses. They are more likely to source their inputs from foreign countries, often outside Europe.

Firms in niche markets spend more on research & development. These SMEs are also more optimistic about the further growth of their international turnover. This increase in foreign sales is mainly driven by new and improved products and by entering new markets. The share of foreign sales in total sales is also higher for firms selling niche products.

Internationalization support

Most SMEs (62%) have received internationalization support from one or more organizations. Firms receiving internationalization support often use support from multiple organizations. More than 90% of entrepreneurs are aware of the support offered by Unizo and Voka and about 80% know Flanders Investment and Trade (FIT). Most entrepreneurs have used support from FIT. FIT, Unizo, Voka and VLAO received the highest satisfaction scores. Nevertheless, the support offered by these and other organizations does not always match the need of entrepreneurs. The largest gap is in identifying business partners. Furthermore, the need for support differs between SMEs using different internationalization strategies. Programs for internationalization support aimed at SMEs need to take the different internationalization strategies of SMEs into account and offer support adjusted to the specific needs that these different strategies entail.

1.1. The role of SMEs in the global economy

Small and medium sized enterprises (SMEs) account for about 50% of national GDP, 30% of export and 10% of foreign direct investment (FDI) worldwide (OECD, 2006). Also in Flanders, SMEs play an important role in the economy. As in most EU countries, more than 99 per cent of all firms in Flanders are SMEs. In the EU, SMEs account for about 70% of private sector employment, and more than 80% of employment in some industrial sectors. More than 19 million SMEs and about 40,000 large firms are active in 19 European countries (European Commission, 2004). These SMEs employ 5 persons on average, compared to 1,052 employees in the average large firm. As a result, more than 97 million people work in an SME, compared to 42 million people working in large firms. During the past years, SMEs have created 80 percent of new jobs in the EU (Eurostat, 2008¹). Although SMEs in Europe are important drivers of job creation, these firms are less productive and grow more slowly than SMEs in the United States. While surviving firms in the US increase their employment by about 60% on average over a seven year period, employment gains among surviving SMEs in Europe are between 10% and 20% (Eurostat, 2008).

1.2. SME internationalization

The importance of SMEs is not limited to job creation. Small and medium sized firms are also key contributors to innovation and export (Fugazza, 1993). Nevertheless, even in today's globalized economy, most small and medium sized enterprises have no international activities (Acs et al., 1997). Recent developments show an increasingly active role played by SMEs in international markets (e.g. OECD, 2000, 2007). Because of declining government barriers and advances in technology, this trend is expected to gain further momentum (Lu & Beamish, 2001).

For those SMEs that have developed international activities, the internationalization is often limited, both in geographical scope and in terms of the share of international versus domestic activities. "Only a minority of SMEs are exporters, and among those that do export, the proportion of sales from foreign markets is rather small" (Westhead et al., 2004). This implies that SMEs still have a large untapped potential to grow through internationalization. Thanks to the great flexibility of smaller firms, this internationalization potential can be quickly activated. Still, many SMEs are not taking advantage of opportunities outside their home market.

By entering new markets, SMEs could sharply boost exports. Evidence from the US shows that in 2002, nearly two thirds of all exporting SMEs exported to a single foreign market (US Department of Commerce, Exporter Database). On the other hand, more than half of exporting large firms had sales in five or more foreign markets. Although 95% of US exporters are SMEs, the share of SME export in total US merchandise exports² was only 26.4 percent in 2002 (US Department of Commerce, Exporter Database).

¹ "Think Small First": A Small Business Act for Europe, Brussels, 25th June 2008

² The database does not capture firms that export only services.

Although the number of SME exporters in the US increased by 228% between 1987 and 2002, only 3% of US SMEs engage in exporting. Nevertheless, in 2002, small firms (i.e., those with fewer than 20 employees) made up 70 percent of all US exporting firms, up from 59 percent in 1992. In some countries, such as Germany and Japan, SMEs realize a large proportion of exports (Ali & Swierz, 1992). In Germany, the so called “Mittelstand” realizes about 40% of all export. This means that these relatively small firms are responsible for about 4% of world trade.

Those German SMEs are export champions. Many of these often family owned firms have developed into global leaders in their niche. Thanks to a stable organizational culture, the leadership of the entrepreneur, a clear focus on niche markets, close and long term relations with customers and external partners and continuous improvement of operational efficiency, these firms have realized an annual growth of 8.4%, compared to 2.7% on average for all German firms (Venohr & Meyer, 2007).

These export champions are also innovation champions. In order to continuously improve their products and services and to better respond to customer needs, these firms spend about 5% of their turnover on research and development. Another remarkable difference with family owned enterprises in other countries is the high number of professional managers. 60% of these firms have a professional manager. In countries like France, the US and the UK, family owned enterprises are most often also managed by a family member. The share of professional managers in these countries is 31% in France, 30% in the US and only 23% in the UK.

These impressive results should however be put in the right perspective. Despite the uniform SME definition³ that was adopted by the European Commission in 2003, even within Europe some researchers do not use this definition when analyzing activities of SMEs, as is the case with this German study. The firms in this sample are not SMEs according to the EU definition. Rather they are privately owned firms, with a turnover of up to €1 billion. Although these firms are much larger than SMEs in other European countries, and certainly compared to SMEs in Belgium, the German example shows that family owned enterprises can be successful niche players and can even grow into global leaders. This should inspire SMEs, which can learn from the strategic choices of these firms and become drivers of domestic growth thanks to successful internationalization.

1.3. Importance of SME internationalization

The participation of SMEs in internationalization is increasing. Recent research on the internationalization of SMEs in Belgium (Onkelinx & Sleuwaegen, 2008) also revealed an increasing involvement of these SMEs in international markets.

Although in some countries, such as Germany, SMEs play an important role in the export, in most countries export is driven by a limited number of exporters. In Belgium, the top one per cent of exporters account for 48% of total export, and the top ten per cent for 84% of export (Mayer & Ottaviano, 2007). In New Zealand, another small open economy, export is even more concentrated among a small number of large exporters. The largest exporters, 1.4% of all exporters represent 76%

³ According to this definition, an SME is an enterprise with fewer than 250 employees and a turnover of no more than €50 million or a balance sheet total of no more than €43 million.

of total export. Less than five per cent of exporters are responsible for more than 90% of total export. The 85% smallest exporters represent only 2% of total export.

Nevertheless, as the German example has shown, smaller firms can be an important driver of a country's export. Since there is a strong positive relationship between export expansion and economic growth, increasing involvement of firms in international markets brings benefits to the home market. Increasing export creates additional income in the domestic economy and increases total demand. Export also creates growth indirectly, through a variety of mechanisms including efficient allocation of resources, greater capacity utilization, exploitation of economies of scale and technological improvement in response to greater competition from abroad. This positive relationship between a country's export and its economic growth is well documented (Chow, 1987; Gharthey, 1993).

Therefore, governments are taking initiatives to stimulate internationalization of SMEs. Organizations such as the OECD have developed policies to promote SME internationalization. These include the Bologna Charter (2000), the Athens (2006) action plan for removing barriers to SME access to international markets and the Tokyo (2007) statement on strengthening the role of SMEs in global value chains. The European Commission has also developed initiatives specifically aimed at SME internationalization. Also in Belgium, federal and regional governments are increasing their efforts to stimulate SME internationalization.

1.4. Internationalization of SMEs in the European Union

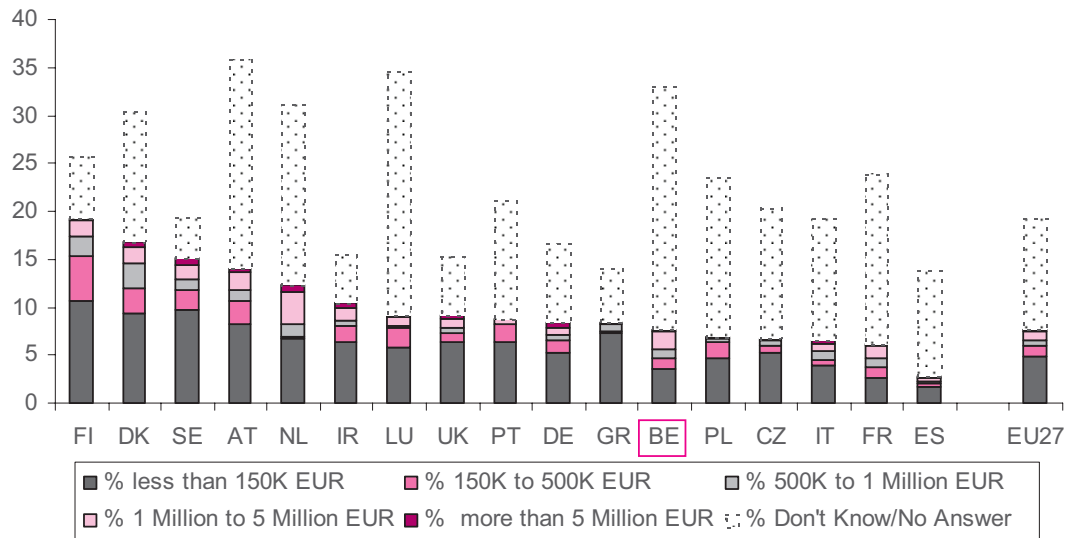
| 11

According to a European survey (European Commission, 2004), 30% of SMEs in 19 EU countries import, while 18% are involved in export activities. Belgian SMEs are more internationally oriented than their European counterparts: 45% of Belgian SMEs import and 24% export. Four percent of Belgian SMEs invested abroad.

However, a more recent survey (European Commission, 2007a; 2007b) shows a much smaller number of internationalized SMEs. According to this survey, only 8% of SMEs in the European Union export. Export turnover is most often reported in manufacturing (14%) and trade sectors (12%). The lowest numbers of exporters are found in healthcare (2%) and financial intermediation (2%).

This surprisingly low number of exporters can be partially explained by the survey methodology. *“As we noted earlier, the amount figures reported over the telephone suffer from a certain bias. While on paper forms managers have time and can look for assistance in answering questions related to their business data (turnover, exports, etc.), over the telephone they seem to be very reluctant to give a top-of-mind figure about sensitive business data. Also, in the survey there was no separate question that asked about export activity, instead the turnover from exports was asked for, which resulted in underreporting the export activity because a number of managers might have claimed that they are not exporting because they did not want to disclose their export figures.”*

Figure 1: Export by SMEs in EU countries

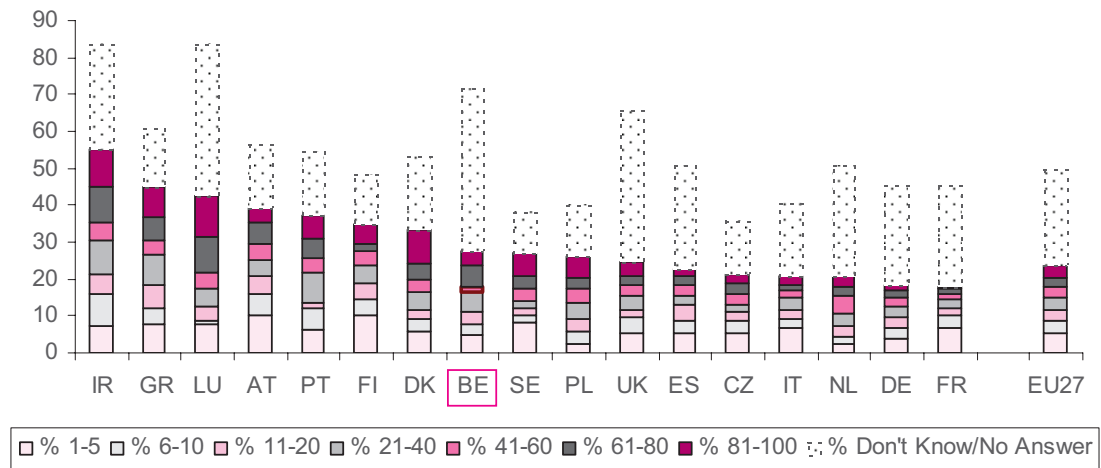


Source: own calculations based on European Commission, 2007a; 2007b

Since there was no question that simply asked whether SMEs were exporters or not, there is substantial underreporting of export activity. It is likely that many of those SMEs that answered “don’t know/no answer” are exporters, but could not (or were not willing to) give the exact percentage of turnover generated by export. Further analysis of the data suggests that most of the DK/NA cases are indeed exporters. As a result, the actual number of exporting SMEs in Belgium is most likely between the reported 8% and 33% (67% of respondents indicated they had no export activities). For the EU27, between 8% and 19% of SMEs are exporters.

In terms of expectations for 2007, SMEs in Belgium are quite optimistic about the evolution of their export activities. SMEs from Belgium report the second highest expected revenue change. 9% of SMEs in Belgium expect their turnover from export to increase, 8% think it will remain about the same and only 2% expect a decrease in export turnover. 15% do not know or could not answer this question and 67% of Belgian SMEs do not foresee any export in 2007.

Figure 2: Import by SMEs in EU countries

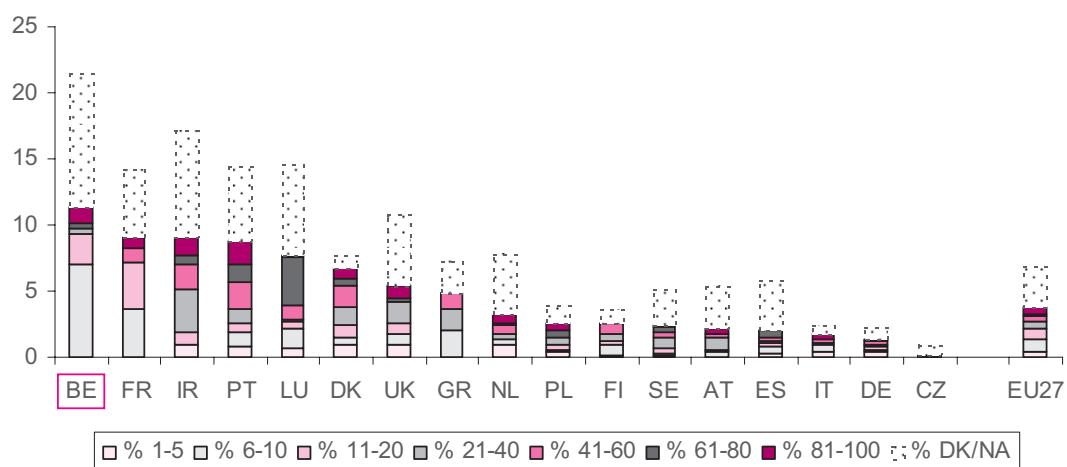


Source: own calculations based on European Commission, 2007a; 2007b

On average, SMEs in the EU27 purchase 12% of their inputs abroad, SMEs in Belgium 21%. Again, it is difficult to assess how many SMEs are actually importers. 28.6% of SMEs in Belgium purchased 0% of their inputs abroad. However, 44% of SMEs in Belgium answered “don’t know/no answer”. Consequently, the percentage of importers among SMEs in Belgium is between 27% and 71%. Of those SMEs in Belgium that could give a valid answer, 51% indicated having no import activities. For SMEs in the EU27, this was 68%.

Overall, 5% of SMEs in the EU receive some income from subsidiaries or joint ventures abroad. In the EU27, Belgium has the highest percentage of SMEs with foreign subsidiaries or joint ventures bringing them income (13%). Belgium, France and Germany are the most favored destinations for SMEs in setting up subsidiaries or joint ventures.

Figure 3: Income from foreign subsidiaries

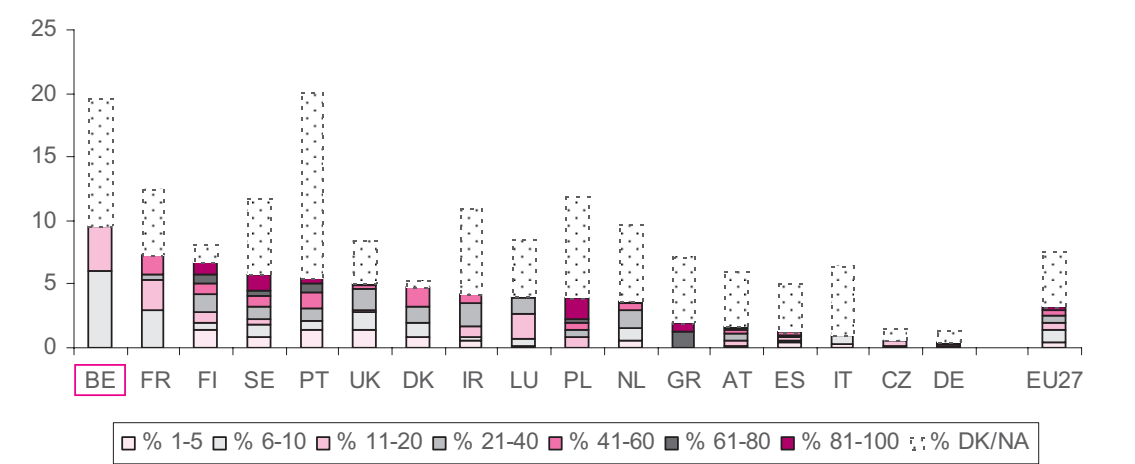


Source: own calculations based on European Commission, 2007a; 2007b

Four per cent of SMEs in the EU27 and 11% of those in Belgium have some income from a foreign

subsidiary. Furthermore, 3% of SMEs in the EU27 and 10% of those in Belgium did not know or did not answer how much of their turnover was created in foreign subsidiaries. The percentage of SMEs responding they have no subsidiary was 93% in the EU27 and 78% in Belgium. Consequently, the share of SMEs with foreign subsidiaries in the EU27 is between 4% and 7%. In Belgium, between 11% and 22% of SMEs have a foreign subsidiary.

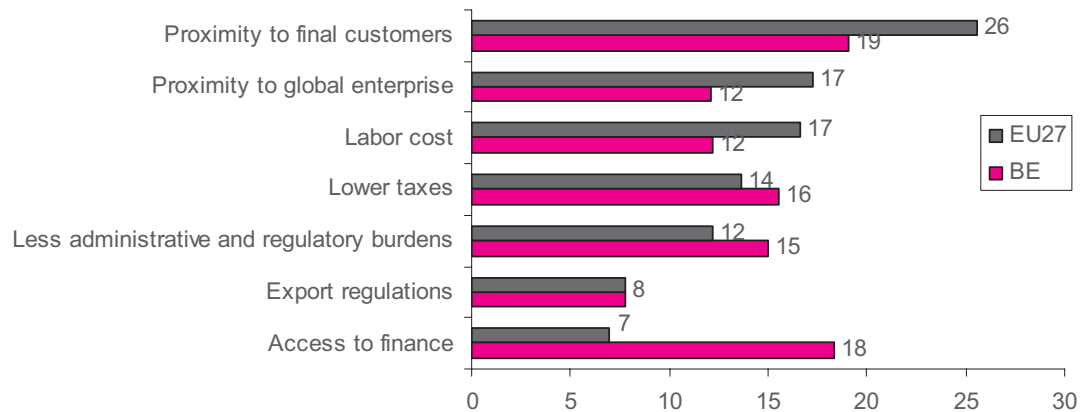
Figure 4: Income from joint ventures abroad



Source: own calculations based on European Commission, 2007a; 2007b

The percentage of SMEs that have some income from joint ventures abroad is slightly lower than those with a foreign subsidiary. Three per cent of SMEs in the EU27 and 10% of those in Belgium have some income from joint ventures abroad. Furthermore, 4% of SMEs in the EU27 and 10% of those in Belgium did not know or did not answer how much of their turnover was created in joint ventures abroad. The percentage of SMEs responding they have no subsidiary was 92% in the EU27 and 80% in Belgium. As a result, the share of SMEs with joint ventures abroad in the EU27 is between 3% and 8%. In Belgium between 10% and 20% of SMEs have a joint venture abroad.

Figure 5: Motives for having foreign subsidiaries/joint ventures



Source: European Commission, 2007a; 2007b

The main reason for having a foreign subsidiary or joint venture is proximity to customers, although this driver is more important for SMEs in the EU27 (26%) compared to those in Belgium (19%). Access to finance on the other hand is the second most important motive for SMEs in Belgium (18%), but the least important for those in the EU27 (7%). For SMEs in the EU27, proximity as a supplier to a global large scale enterprise (17%) is the second most important motive for having a subsidiary or joint venture abroad. SMEs in Belgium see greater value in the lower taxes abroad (16%) and lower administrative and regulatory burdens (15%).

In terms of the effect of the foreign subsidiaries or joint ventures on the employment in the home country, 16% of SMEs in Belgium reported a positive effect, while 13% indicated employment in Belgium was negatively affected by the foreign subsidiary or joint venture. Most SMEs indicated no effect on employment in Belgium (25%) or did not know or could not answer this question (53%).

1.5 Internationalization of SMEs in Flanders

Internationalization is more common among SMEs in Flanders than those in other regions in Belgium (Onkelinx & Sleuwaegen, 2008). In Flanders, up to 47% of SMEs in manufacturing industries is internationalized through either import, export or both. In Services, the share of internationalized SMEs in Flanders is 27%

Export and import are more common among older and larger SMEs. Still, some recently established firms start exporting short after inception. These so called international new ventures are characterized by high growth rates, and are most common in high technology sectors. In general, SMEs in high tech sectors are more internationalized than SMEs in other industries (Onkelinx & Sleuwaegen, 2008).

2. DRIVERS AND BARRIERS OF SME INTERNATIONALIZATION

Advances in technology and communication and the reduction of communication, travel and transportation costs have made it easier for firms to do business with each other. The globalization of large firms has created new opportunities for SMEs to participate in different parts of the value chain of those firms (OECD, 2004). New and innovative strategies, including more network oriented operating models, provide opportunities for SMEs for doing business with large firms. Internationalization is an important driver of small firm growth. It can enable firms to maximize returns and minimize costs in purchasing, production and sales. Other benefits include the strategic development of the firm by gaining access to international competences, technology, labor and capital.

Internationalization has both micro and macro economic advantages. Nevertheless, many small and medium sized firms are not active outside their home market and have no intentions to develop international activities in the future. On the one hand, the increased risk and competition in foreign markets and entry barriers prevent many SMEs from going abroad. To reduce the risk, small firms typically develop experience and knowledge by growing in their home market, before entering international markets.

On the other hand, internationalization may bring great benefits to the individual firm. Research has shown that internationalization has a positive impact on productivity, growth and survival of SMEs (Onkelinx & Sleuwaegen, 2008). Firms can become more competitive through cheaper sourcing or subcontracting across borders. Efficiency can be improved and costs reduced through economies of scale. Profitability may benefit from higher profit margins abroad. Product life cycles may be extended and firms in niche markets can find similar niches abroad. Spreading sales across different markets can reduce market related risk and may be less risky than diversifying in the home market. Furthermore, through strategic alliances, SMEs may gain the critical mass necessary for research and development.

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2.1. Motives

Drivers for SME internationalization can be internal or external to the firm. Internal factors can be differential firm advantages (Crick & Jones, 2000), networks (Coviello & Munro, 1997), available production capacity (Johnston & Czinkota, 1982), unsold inventory (Sullivan & Bauerschmidt 1988), economies of scale resulting from additional orders (Kaynak & Kothari 1984), opportunities to better exploit management talent and a management team with favorable attitudes towards exporting (Morgan & Katsikeas, 1997). External factors include foreign country regulations (Bilkey & Tesar, 1977), availability of foreign market information (Albaum, 1983), increased competition in the home market (Ursic & Czinkota, 1984), value chain advantages (Bell et al., 2004), export promotion programs (Kaynak & Erol, 1989), profit and growth opportunities, especially within small market niches (Crick & Spence, 2005), and unforeseen opportunities including receiving unsolicited orders (Spence & Crick, 2006).

Motives for internationalization have also been classified as proactive and reactive (Johnston and Czinkota, 1982; Piercy, 1981). Some firms proactively search for opportunities outside their home market. However, many firms go abroad reacting to changing conditions in their environment. These

firms have a passive attitude toward seeking opportunities in foreign markets, but still might become unexpectedly involved in international markets, by chance or forced by circumstances rather than resulting from deliberate strategic choices.

Examples of reactive stimuli are a saturated domestic market, the need to reduce inventory, excess capacity⁴, favorable exchange rates, encouragement from contacts in business environment, exclusive information, competitive pressures, reducing market risk and unsolicited orders from overseas.

Proactive stimuli are factors such as attractive profit/growth opportunities, products that can easily be adapted to foreign market needs, unique products, managerial aspirations and economies of scale.

As motives for internationalization can be both internal or external to the firm, and proactive or reactive, these stimuli can thus be classified into four categories: proactive-internal, proactive-external, reactive-internal and reactive-external (Morgan & Katsikeas, 1997).

Proactive-internal stimuli are factors in the firm's internal environment that are linked to internal competencies or market opportunities. Examples are the possession of unique products or services, a competitive cost advantage, unique management competences, a favorable attitude towards exporting, production savings resulting from additional orders and the ease with which products can be adapted (Barker & Kaynak, 1992; Kaynak & Kothari, 1984).

Proactive-external stimuli are related to the firm's deliberate search for market opportunities overseas, but the origin of these stimuli is the external environment. Typical examples of such elements are reductions in tariffs, favorable currency movements, product regulations in foreign countries, government export assistance programs, attractive export incentives and attractive growth opportunities abroad (Diamantopoulos et al., 1990; Kaynak & Erol, 1989; Leonidou, 1995; Sullivan & Bauerschmidt, 1990).

Reactive-internal stimuli arise from within the firm, but they reflect engagement in international business as a reaction to certain conditions or events. These drivers relate to factors such as protection against an economic downturn in the domestic market or available production capacity (Barker & Kaynak, 1992; Katsikeas & Piercy, 1993; Ursic & Czinkota, 1984).

Reactive-external stimuli on the other hand originate from the external environment and reflect a passive attitude towards export engagement. These factors relate to environmental pressures or circumstances such as unexpected orders from overseas customers, a saturated domestic market, intensifying competition in the home market and seasonal fluctuations in domestic market demand (Albaum, 1984; Katsikeas, 1997; Piercy, 1981; Weaver and Pak, 1990).

⁴ As a result of the economic downturn in 2008-2009, reactive stimuli are becoming increasingly important. In response to declining demand in the home market, many SMEs start looking for opportunities abroad. This resulted in a significant increase in inquiries for support from F.I.T.

2.2. Barriers

Many SMEs do not have international activities because they lack the ambition to internationalize, or the entrepreneur may not want to take the risks involved in internationalization. Others SMEs do not have the necessary resources to overcome the barriers involved in internationalization, although many physical, technical and fiscal trade barriers have been removed, especially within the European Union. European integration has favorably affected SME export (European Network for SME Research, 1997). Still, firms are confronted with numerous obstacles that prevent them from entering international markets, or that make doing business outside their home market more difficult. These barriers often have a substantial impact on the internationalization decision of SMEs. Given the resource constraints of SMEs, overcoming these barriers may be a challenge that is simply too big. Not only do SMEs have limited assets and financial resources, they also have little or no international experience in their management team, limited knowledge of international markets, and limited international networks.

Nevertheless, De Chiara & Minguzzi (2002) state that size is not restraining the international competitiveness of small firms and that sales abroad are not affected by firm size. They do however point out that small firms cannot enjoy all options in the internationalization process, because of structural handicaps such as limited financial resources. Moreover, some country specific factors may also impede the internationalization of small firms. Because small firms are facing diseconomies of scale, the specialization of skills cannot reach a certain threshold. The main obstacles to internationalization of small firms are in the limited internal resources and capabilities, and thus not outside the firm.

The current financial crisis may make it even more difficult for SMEs to internationalize, as banks are less inclined to finance high risk investments of small firms and risk premiums are increasing. Acs & Terjesen (2005) mention limited access to financial capital and imperfect information as most important barriers for new firms. De Maeseneire & Claeys (2007) find that SMEs face more severe financing constraints for FDI than for domestic projects. New ventures also face a liability of newness, limiting not only their access to financing opportunities, but also their access to information about labor, raw materials and output market conditions.

Export barriers make doing business more difficult for firms with current international operations, but may also prevent firms from initiating international activities. Leonidou (1994) analyzed difference in export barrier perception between current exporters and non-exporting firms. The two most important barriers were increasing competition in world markets and the inability to offer competitive prices abroad. Another major obstacle was the limited availability of foreign market information.

A number of organization-specific factors had an important impact on the firm's export behavior. The most important factors were the firm's export experience, its organizational size and the number of years in business. Smaller firms with no prior export experience that were relatively few years in business tended to over-emphasize some of the export barriers. There were no statistically significant differences based on whether these barriers originated internally or externally to the firm and in the home or foreign market.

According to the OECD (2006), a majority of SMEs rated barriers related to internal capabilities as being more significant obstacles to internationalization than those related to the business environment. Problems internal to the firm were considered to be more important barriers to access to international markets than barriers in the home or foreign environment in which firms operate. Trade barriers such as tariffs and regulations were not ranked among the top 10 barriers by SMEs.

However, there appears to be a difference in perception of barriers between firms in terms of export activity. Non-exporters are more concerned with financial and access barriers, whereas firms that are already exporting prioritized issues related to the business environment, including trade barriers. Firms with experience with foreign markets tend to pay more attention to barriers outside their control. These results suggest that once SMEs have overcome internal constraints, they become more aware of other challenges in their business environment such as tariffs and trade regulation.

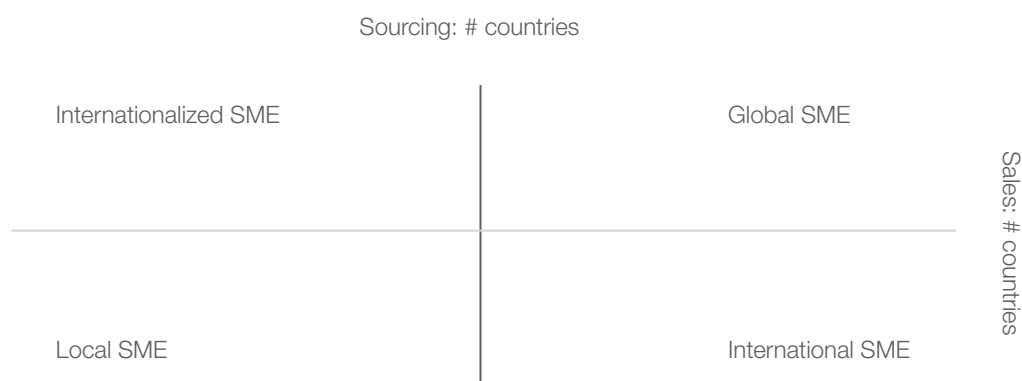
3. INTERNATIONALIZATION STRATEGY

Firms need to make a number of strategic choices in their internationalization process.

As they do not have the same resources as large firms, SMEs need to focus their efforts and choose the right market, the appropriate timing and the optimal entry mode to successfully implement an international strategy in order to ultimately increase profits. The optimal scope of the international operations will depend on the interaction between the strategic needs of the firm, its resources and environmental factors in both its home market and foreign markets.

The degree to which SMEs internationalize depends on the number of countries they operate in. Internationalization can be either inward (e.g. through import), outward (e.g. export) or both. Thus, we can classify SMEs according to the number of countries they source from and the number of countries in which they sell their products. Local SMEs operate only in their home markets. International SMEs source their inputs from abroad, but sell only in the domestic market. Internationalized SMEs use domestic inputs, but market their products in multiple countries. The most extensive form of SME internationalization is the global SME. These firms source from multiple countries and sell their products globally.

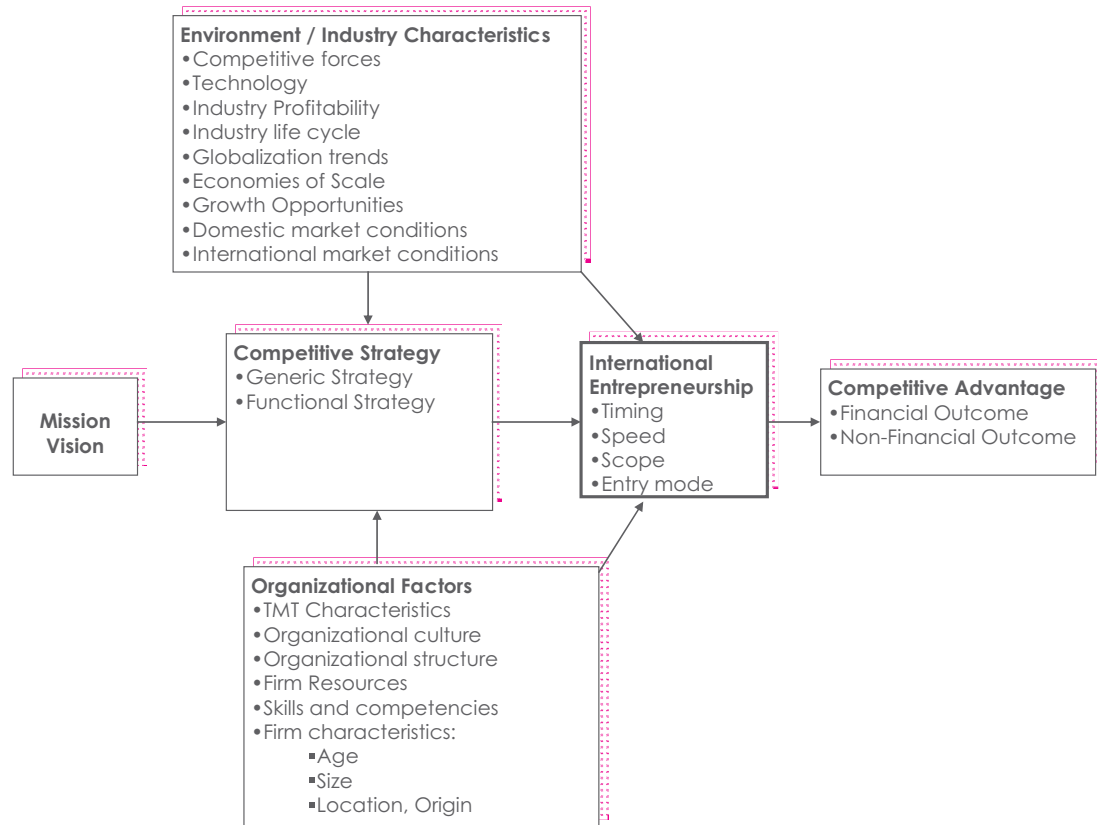
Figure 6: Typology of SMEs based on international sales and sourcing



3.1. Competitive Strategy

A firm's competitive strategy is based on its goals, its mission and vision. Firms may have various objectives and need to choose the right competitive strategy to be successful and reach these objectives. While some are entrepreneurial and growth oriented, others are conservative (Covin & Slevin, 1991). Depending on organizational factors such as firm resources and competencies, firms may choose various competitive strategies. This will also be reflected in their internationalization strategy. International entrepreneurship is a result of the interactions between the international industry environment, the firm's competitive strategy and its organizational contingencies.

Figure 7: Strategic framework for international entrepreneurship



To be successful in international markets, firms need to develop a strategy that fits their ambitions, their competences and their limitations. Internationalization resulting from a good strategy may prove to be more successful as firms have clear objectives, may be better prepared and can anticipate specific circumstances and intense competition in international markets. Developing the right strategy is a process that involves both an internal analysis of the firm's capabilities, and an external analysis of the environment in both the domestic and foreign markets.

In one of the few studies to explore the link between firm strategy and international entrepreneurship, Namiki (1988) looked at different types of strategies of small firms in export markets. Following Porter's (1980) generic strategies, he found that exporting SMEs generally adopt four types of competitive strategies. These strategies all aimed at differentiating firms from their competitors through marketing, innovation, or product quality and service. Cost leadership alone was not used for export competition, but in combination with a marketing differentiation strategy. The majority of exporters (57%) followed a marketing differentiation strategy. Nevertheless, SMEs following a differentiation focus or innovative differentiation strategy achieved higher export performance in terms of export growth and profitability than the majority group. These results suggest that many SMEs opt for a suboptimal international strategy.

3.2. SME Internationalization Theories: Behavioral Models

The traditional view of small firm internationalization in incremental stages (Johanson & Vahlne, 1977) implies that firm size, age and experience have a direct and positive relationship with the extent of internationalization. This view has been challenged by Oviatt & McDougall (1994), who found increasing evidence of firms that are international from inception. Despite the increasing prevalence of these international new ventures, evidence from Belgian SMEs (Onkelinx & Sleuwaegen, 2008) shows that export is still more common among older firms.

Some small firms are able to internationalize shortly after inception, while others wait several years or do not internationalize at all. McDougall et al. (2003) found significant differences in the entrepreneurial team experience, strategy and industry structure of international new ventures compared to domestic ones. The industries international new ventures operated in had higher degrees of global integration. As McDougall et al. that (2003) note that previous studies do not provide generalizable insights into differences between international and domestic new ventures, more research is needed into the determinants of early SME internationalization. Bürgel et al. (2001) claim that for start-up companies in high-technology industries, the question is not whether the firm will internationalize but when. Still, in many sectors, the question whether a firm will internationalize is a valid one, as evidenced by the large number of SMEs operating only in the domestic market.

Research on early internationalization has primarily focused on high tech start-ups. Autio et al. (2000) found early entry to be associated with faster international growth. However, as this study focuses on a single industry in one country, the generalizability of this result is limited. Other studies on international new ventures suffer from similar limitations. More research is needed on the timing of international market entry of SMEs, allowing for cross industry comparison. Fisch (2006) states there is a large body of literature on international market entry but a shortage of studies on its timing. As the limited focus of research on timing of internationalization does not provide any generalizable results, it remains unclear what the impact of early versus late foreign market entry is.

Early internationalization enables firms to capture market share fast and may be necessary when product life cycles are short. Possible benefits of delayed internationalization are higher productivity and a stronger competitive position. There is substantial evidence that only the more productive firms export, i.e. those firms that have reached a certain productivity level necessary to compete in international markets. This self selection requires firms to reach high levels of productivity before entering foreign markets.

3.3. Firm-level determinants of internationalization

The characteristics of the individual firm will to a large extent determine its internationalization strategy. Which strategy to choose will depend on the product of service the firm is offering, market demand and competition in different countries, the firm's financial and human resources, the entrepreneurial orientation and risk taking behavior of the top management team, but also on available production capacity, demand in the home market, relationships with customers and suppliers and environmental factors such as legislation and culture in the target markets. Given the limited resources of SMEs and the multitude of possible constraints, SMEs need to focus their efforts and choose the right

market, the appropriate timing and the optimal entry mode to successfully implement an international strategy in order to ultimately increase profits. The optimal scope of the international operations will depend on the interaction between the strategic needs of the firm, its resources and environmental factors in both its home market and foreign markets. While high tech firms may choose rapid internationalization and follow the international new venture approach (Oviatt & McDougall, 1994), the stage theory (Johanson & Vahlne, 1977) may still be the most appropriate for firms in mature industries. The timing and risks involved in these approaches are different, and firms need to evaluate whether they want to reduce the risk and follow a conservative pattern, or need to capture market share before their technology becomes obsolete. The internationalization strategy is thus contingent on the firm's overall strategic objectives and competitive environment.

3.4. Entry mode

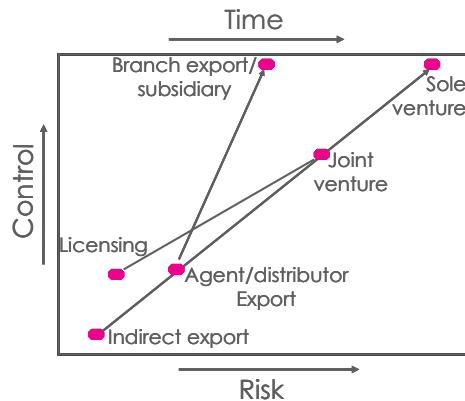
Firms can choose different modes of internationalization, including import, offshoring, export (direct or via agents or distributors), strategic alliances, licensing, franchising, joint ventures or wholly owned subsidiaries (through foreign direct investment). Some of these options are more suited for SMEs (e.g. export, licensing), while the financial needs and risks involved in others (e.g. FDI) may be too high for small firms.

McDougall et al. (2003) state there is no single best entry mode for SMEs, and suggest it should be adapted to each country. Firms exporting to multiple countries can use multiple entry modes, based on the specific requirements of the situation and the environment. To choose the most appropriate entry mode, firms need to balance internal and external factors. The size, financial and organizational resources of the firm, managerial attitudes and risk taking behavior all influence the selection process, as do external factors such as country characteristics and market barriers.

3.5. Benefits and disadvantages of different modes

An important difference between entry modes is in the degree of control a firm exerts over its foreign operations (Yip et al., 2000). Small firms with limited financial resources are likely to opt for the relative cost benefits of franchising, concessions, licensing, distributor or agent's agreements (Hutchinson et al., 2005). Direct investment is often not a viable alternative for SMEs, because of financing constraints (De Chiara & Minguzzi, 2002).

Figure 8: Different modes of internationalization



Source: adapted from Sleuwaegen (1997)

Exporting is a relatively easy mode of internationalization and requires limited investment in terms of time and cost. This results in low commitment and limited risk, as the decision to export can easily be reversed. Disadvantages are the transportation cost of goods, trade barriers, including tariffs and possible lack of alignment with foreign sales agents. Many of these problems can be solved using foreign direct investment (FDI) as entry mode. FDI enables the firm to control its foreign operation and to benefit from location based advantages including knowledge and capabilities. This is however a high risk entry mode, with high commitment, requiring substantial financial investments. It is time consuming and complex, and flexibility is very limited because of sunk costs. Alliances require limited resources and market knowledge, as the foreign partner has this knowledge. It is therefore crucial to identify the right partners, and to come to an agreement that is beneficial for both partners.

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3.6. Waterfall versus sprinkler strategy

Next to entry mode, firms need to select the countries to introduce their product, the sequence in which these countries should be approached and the timing of entry into these markets. According to Douglas & Craig (1992)⁵: "...attention needs to be paid to the timing and sequencing of entry into international markets relative to competitor moves and the stage of market development. This should include assessment of factors impacting the choice of incremental versus simultaneous entry into different country markets."

An important factor in the decision which foreign markets to enter is competition in these markets. Entering markets before your competitors may result in substantial first mover advantages. Mascarenhas (1997)⁶ found that these advantages are more important than the resources firms commit to these markets. Being the first to enter the market did result in higher long-term international market share and survival, while larger initial resource commitments did not. Furthermore, these first entrants typically committed fewer resources. A first mover strategy would thus be appropriate for firms with limited resources, such as SMEs.

⁵ Douglas, P.S. and C.S. Craig. 1992. "Advances in international marketing." *International Journal of Research in Marketing*, 9: 291-318

⁶ Mascarenhas, B. The order and size of entry into international markets, *Journal of Business Venturing*, Volume 12, Issue 4, July 1997, Pages 287-299

These findings are interesting in the decision to enter a single market, but do not provide insights about the optimal timing and sequence of entering multiple foreign markets or the factors that influence these decisions. Kalish et al. (1995) tried to answer this question. They compared two types of strategies: waterfall and sprinkler strategies. Firms using a sprinkler strategy introduce their products in multiple countries at the same time. A waterfall strategy on the other hand is one in which a firm launches its products in different countries at different times.

Some firms choose to introduce their products simultaneously in global markets (sprinkler strategy), while others initially focus on the domestic market, before foreign markets are entered sequentially (waterfall strategy). Global competition increasingly pushes firms to opt for a sprinkler strategy. However, Kalish et al. (1995) demonstrate that certain conditions favor a waterfall strategy. Especially when product life cycles are long and foreign markets are characterized by slow growth rates, low innovation rates and weak competition, a waterfall strategy may be the preferred choice. The strategic decision on the sequence of international expansion has important implications on firm performance and survival. SMEs proceeding cautiously and incrementally into international markets may face fewer risks and pitfalls compared to rapidly and globally internationalizing SMEs, and may therefore have higher chances of survival.

Using a sprinkler strategy can maximize revenues by exploiting economies of scale in R&D and manufacturing. Moreover, a sprinkler strategy may pre-empt competitive moves in some countries, thus maximizing sales and market share. However, launching a new product requires substantial investment in manufacturing, inventory, advertising, distribution, human resources. Using a waterfall strategy, firms can limit these investments, as the new product is introduced in a limited number of countries. If the product is unsuccessful in these countries, the firm can save the investment in the remaining countries. Furthermore, income from the first market can be used for investment in a subsequent market. Thus, a waterfall strategy can lower the pressure on cash flow. A waterfall strategy is thus less risky than a sprinkler strategy.

Choosing a waterfall or a sprinkler strategy is a tradeoff between sales maximization and risk minimization. Although a sprinkler strategy may be more appropriate in many cases, managers might favor a waterfall strategy because they want to limit the risk of failure.

As suggested by Kalish et al. (1995), there is no uniform sprinkler or waterfall strategy. Some conditions favor a waterfall strategy over a sprinkler strategy. This may be the case if product life cycles are very long, if conditions in the foreign market are unfavorable or if competitors in foreign markets are weak. Examples of weak foreign markets are markets with slow growth relative to the home market, markets with low innovativeness or markets with high fixed entry costs.

3.7. Concentration versus spreading

Katsikeas (1996) found a number of significant differences between market concentration and market spreading strategies. Firms concentrating on a few markets tend to be smaller and exhibit a greater interest in export profitability, but are less concerned with export sales objectives. Visiting overseas markets is also more important in the export strategy of these firms. These market concentrators tend to have less favorable export market share expectations. This may be in part due to the fact that they

have already gained a considerable share of the foreign markets they operate in. Market spreaders perceive fewer problems related to product adaptation, but face more problems concerning the organization of their export marketing function and are less likely to sustain a competitive pricing advantage in overseas markets.

In contrast, market spreaders are larger firms, attaching greater importance to sales volume objectives. These firms are more involved in export marketing research and have more favorable export market share expectations. At the same time, they put less emphasis on export profitability and are less concerned with personal visits to foreign markets.

The length of firm experience in export markets and foreign operations did not significantly discriminate between the two export strategies. Relevant experiential knowledge is a prerequisite in the development of a successful export activity, regardless of the international market expansion strategy.

Crick et al. (2000) find limited statistical differences between firms that focus on key export markets and firms that spread their activities over a number of markets. Focusing on a limited number of key markets may result in larger volumes, market share and profit. However, if firms rely on a few key markets, they are exposed to substantial market risk. Therefore, firms may prefer mitigating this risk by spreading their activities over multiple markets.

Successful internationalization depends on a number of internal and external factors. Most research on determinants of successful internationalization has focused on export success. This form of internationalization is relatively easy to measure, as success can be quantified using factors such as export sales, export sales growth and market share in the export market.

One of the most influential models to assess export performance has been developed by Aaby & Slater (1989). They found that export performance is determined by the interactions between the external environment and internal influences such as firm characteristics and strategic factors. Examples of firm characteristics are factors such as firm size and management commitment, but also technology, quality, planning and export market knowledge. Important strategic factors are market selection, marketing mix, product development, staffing and use of intermediaries.

Walters & Samiee (1990) found management commitment, administrative arrangement, and strategy variables to be important export success factors for small US firms.

Research by Cavusgil & Zou (1994) revealed that export marketing strategy, the firm's international competences and managerial commitment are the key determinants of export performance. Export marketing strategy is influenced by internal (e.g. firm and product characteristics) and external factors (e.g. industry and export market characteristics). The results indicate that firms can achieve better performance in international markets through marketing strategy implementation. Cooper & Kleinschmidt (1985) found a strong link between export strategy and export performance.

Bijmolt & Zwart (1994) did not find any critical success factor, although some aspects related to the adjustment of the organizational structure and export planning seem to be more important for export success than the attitude towards export. A study by Moini (1995) showed a strong impact of firm characteristics on export success. However, managerial characteristics and expectations were found to be insignificant.

Zahra et al. (1997) looked at the effect of environment on the export performance of international new ventures. They found that dynamism, hostility, and heterogeneity in a firm's domestic environment are significantly associated with higher export performance. However, while firm age, formal export planning and technological sophistication positively affect export performance, the impact of firm size and past financial performance on export performance is insignificant.

Haathi et al. (1998) found the following factors to be significant for successful internationalization: product quality, reliability of delivery, flexibility, management quality, workers' skills, customer service, local image, quality of sales staff, ability to solve technical problems and customer relations.

Thirkell & Dau (1998) found significant positive correlations between export performance and marketing orientation, export market knowledge, service quality, cultural affinity and channel support. The correlation between export product uniqueness and export performance was positive but not significant. Few studies (e.g. Dawson (1994) and Gençtürk & Kotabe (2001)) find the firm's use of government export assistance programs to be an important export success factor.

Management characteristics such as a proactive export orientation were found to have a positive effect on export performance in studies by Dichtl et al. (1990) and Francis & Collins-Dodd (2000).

Lloyd-Reason & Mughan (2003) identified the following areas of skills and knowledge factors needed by all firms active in international markets: planning, manning and scanning. Planning refers to the way firms plan their involvement in foreign markets, manning is the organization and development of resources to service foreign markets and scanning relates to information gathering about those markets. To be internationally successful, firms need to develop their planning, manning and scanning capabilities. Furthermore, they found that successful internationalizers have more proactive and 'pull' related motivations and drivers. Internationalization is a strategic choice for these firms. To develop and grow the business, they need to respond to opportunities in foreign markets.

Morgan et al. (2004) analyzed how the interplay among available resources and capabilities, competitive strategy decisions, and competitive intensity determines export venture positional advantages and performance outcomes. They found that resources and capabilities affect the competitive strategy choices of the export venture and the positional advantages in the export market. These factors in turn affect performance outcomes of the export venture. There was no direct effect of competitive intensity in the export market on export venture performance.

Research by Lages et al. (2005) in Portugal and the UK revealed that the most important determinants of export performance are product quality, followed by price competitiveness/value for money, service quality and relationships with importers. Remarkably, a number of factors that are often associated with an international competitive advantage were rarely mentioned by export managers. Examples of such factors are design, brand image, innovation, distribution network, product differentiation and adaptation of strategy to the foreign market.

Table 1: Determinants of export performance

Portuguese exporters			British exporters	
	determinants	%	determinants	%
1	product quality	30.6	product quality	22.2
2	price competitiveness	22.2	price competitiveness	10.8
3	delivery deadlines	8.1	service quality	9.0
4	service quality	6.0	relationship with importers	9.0
5	competition	4.4	brand image	6.6
6	flexibility	3.5	technical ability	6.0
7	design	3.0	competition	4.8
8	relationship with importers	2.9	distribution network	4.8
9	brand image	2.1	design	3.6
10	distribution network	1.8	promotion	2.3
11	innovation	1.7	innovation	1.8
12	strategy adaptation	1.7	foreign market characteristics	1.8
13	macro factors	1.7	reliability	1.8
14	promotion	1.3	exchange rate	1.8
15	product differentiation	1.3	strategy adaptation	1.2

Source: Lages et al. (2005)

Marketing mix variables are clearly the most influential on export performance. Managerial, organizational and environmental factors appear to be less important.

Majocchi et al. (2005) tested the effect of firm size and business experience on the export performance of SMEs. While their findings provide strong support for the relationship between export performance and both firm size and business experience, the results further indicate that industry effects are relevant.

Gertner et al. (2006) state that export performance can only be partially explained by determinants such as export organization, export personnel, firm age, and physical proximity of the main export markets. No significant relationship was found between export performance and experience, measured by the number of years exporting. The number of export markets was, however, an important determinant of export performance.

A review by Sousa et al. (2008) gives a detailed overview of the interactions between internal factors (export marketing strategy, firm characteristics and management characteristics) and external factors (foreign market characteristics and domestic market characteristics) on export performance as described in 52 articles published between 1998 and 2005.

Based on a review of 33 articles investigating the performance of UK exporters, Wheeler et al. (2008) suggest exporters should focus on attracting managerial staff with positive attitudes towards exporting, including international orientation and experience. Firms also need to develop capabilities in the areas of export market intelligence gathering, knowledge management (e.g. in planning

and organizing for exporting), quality product and service delivery, and international relationship management.

4.1. Impact of internationalization on firm performance

Successful internationalization may to a large extent depend on overall firm success. Internationalization has both short term and long term effects on firm performance. Research in several developed and developing countries has shown exporters are larger and more productive. However, the causality of these relations is unclear. On the one hand, larger and more productive firms are more likely to enter foreign markets, while on the other hand exporting may increase growth and productivity.

The impact of export on sales growth is straightforward. In addition, the subsequent larger sales volumes enable firms to achieve economies of scale and increase labor productivity and management efficiency. The associated cost savings have a direct impact on firm profitability. Other benefits of exporting include an increase in market power and a diversification of revenues, which in turn may positively affect profitability. A growing body of empirical research has demonstrated the superior characteristics of exporting firms relative to domestic ones. Exporters are larger, more productive, more capital intensive, more technology intensive, and pay higher wages (e.g. Bernard & Jensen, 1999). The central issue is the direction of the causality between export and firm performance. There is convincing evidence that good firms become exporters. Exporters are larger, more productive and have higher employment growth before their first exporting activities. Bernard & Jensen (1999) suggest that while export does not lead to faster productivity growth at the firm level, employment growth is higher and exporting firms are more likely to survive than non-exporters with similar characteristics.

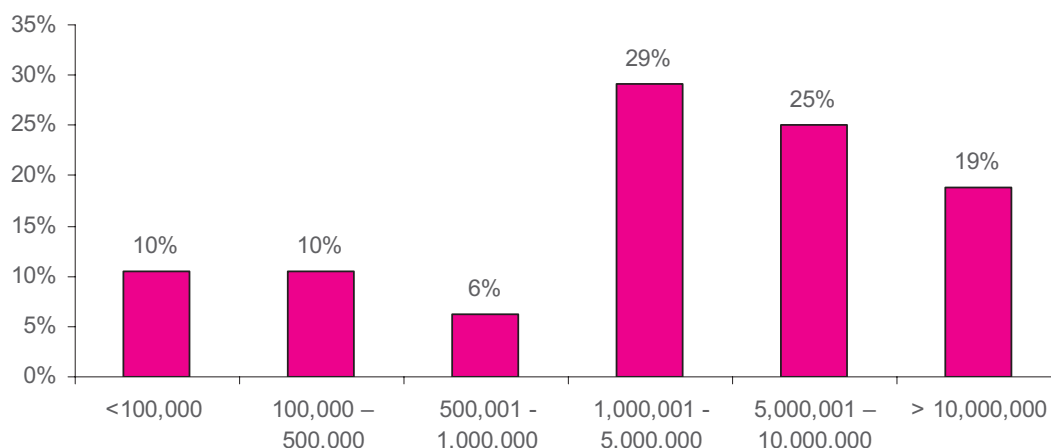
Based on a review of 45 studies on the impact of export on productivity, Wagner (2005) concludes there is convincing evidence that the more productive firms self-select into export markets, while exporting does not necessarily improve productivity. Still, some researchers (e.g. De Loecker, 2007) find that export entrants become more productive, and that the productivity gap between exporters and domestic firms further increases over time. However, since research on the effects of export on firm performance has lacked a focus on small firms, it remains unclear to what extent SMEs can benefit from similar effects.

5.1. Sample

To collect data on the internationalization strategy of SMEs in Flanders, an online survey was used. The questionnaire was distributed in collaboration with Unizo and Flanders Investment and Trade (F.I.T.). The survey targeted SMEs (i.e. firms employing up to 250 employees) in manufacturing, utilities and services sectors. Next to a specific mailing sent out to 2000 members of Unizo with international operations, the link to the survey was also distributed via newsletters of both Unizo and F.I.T. This yielded a total response of 55, evenly distributed between F.I.T. and Unizo. Usable response was 50.

Respondent firms employed 50 employees on average. 20 firms are micro enterprises (<10 employees), 20 were small (10-50), 7 medium-sized (51-250 employees) and 2 firms were large enterprises (>250 employees). On average, these firms employ 50 people, ranging from 0 to 650.

Figure 9: Turnover



Turnover of respondents ranges from less than 100,000 euro to more than ten million. Ten per cent of SMEs report a turnover below 100,000. These are all micro enterprises. Nevertheless, some micro enterprises report a much higher turnover: 35% of micro enterprises have total sales of more than 1 million euro. Another ten per cent of respondents have an annual turnover between 100,000 and 500,000 euro and 6% report a turnover between 500,000 and 1,000,000 euro. Most SMEs have thus annual sales of more than one million euro. 29% sell between one and five million, 25% between five and ten million and 19% sell more than ten million euro. One small firm, six medium sized firms and the two large firms report annual sales of more than 10 million euro.

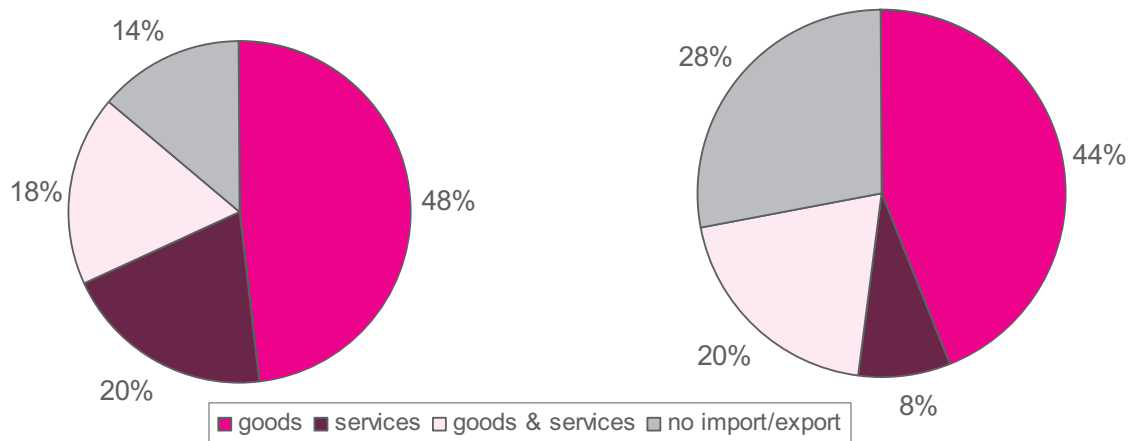
About two out of three firms are family enterprises without external shareholders. Six percent have an important external shareholder. None of the respondents have listed shares. Most respondents were male (80%). International experience of respondents was limited for 36% of respondents, average for 40% and 24% claimed to have substantial international experience.

The main product or service is a consumer product for 22% of firms, a business to business product for 52% and a service for 26% of firms. The relevant market for these products and services is local for 24% of firms, European for 39% and global for 37% of firms.

5.2. International activities

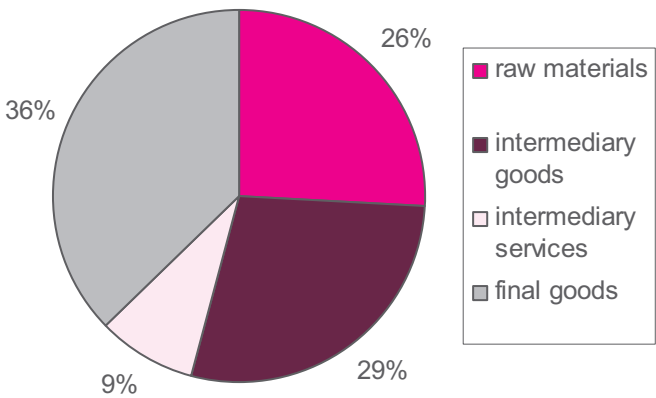
Most respondents both import and export. 48% export goods, 20% export services and 18% of respondents export both goods and services. Import of services is less common: 8% import services, 44% import goods and 20% import both goods and services.

Figure 10: Export and import



The main category of goods or services in the firm's total import is final goods for 36% of firms, intermediary goods for 29% and raw materials for 26%.

Figure 11: Main category of imports

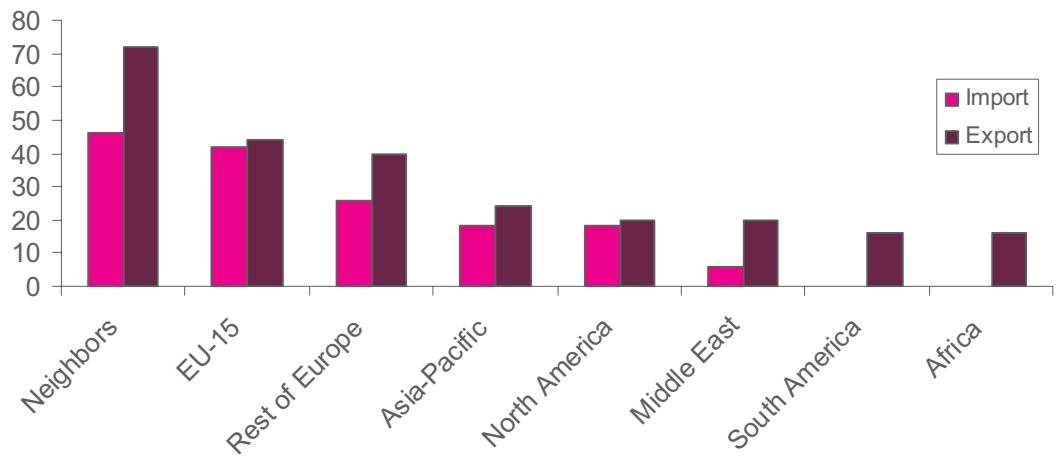


On average, firms start importing after 2.2 years and wait 7.4 years before first exporting. The first export outside the EU is on average after 13 years.

On average, firms export to 30 different markets. While 45% of firms export to more than 10 different countries, 12.5% export to one single country. The most important export destinations are the Netherlands (26%), Germany and France (both 12%) and the UK (10%). For ten per cent of firms, the main export destination is a country outside Europe. About one third of firms are planning to enter new markets in the near future. These new markets are most often in Eastern Europe, the Middle East or the Far East.

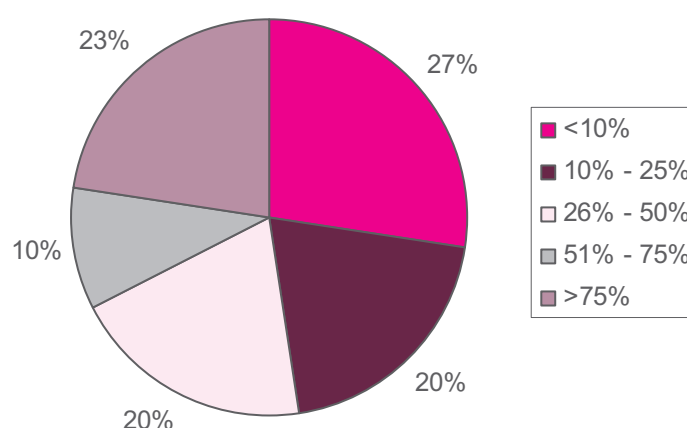
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Figure 12: Import and export by region



Most firms (72%) export to one or more of the neighboring countries (Germany, France, the Netherlands, Luxembourg and the UK). Up to 40% export to countries outside the EU-15. Asia-Pacific (24%) is the most popular region outside Europe, followed by North America (20%) and the Middle East (20%). Firms source goods and services mainly from neighbors (46%) and the EU-15 (42%). While 16% of firms export to South America and to Africa, none of the respondents import from these regions.

Figure 13: Share of foreign sales in total turnover

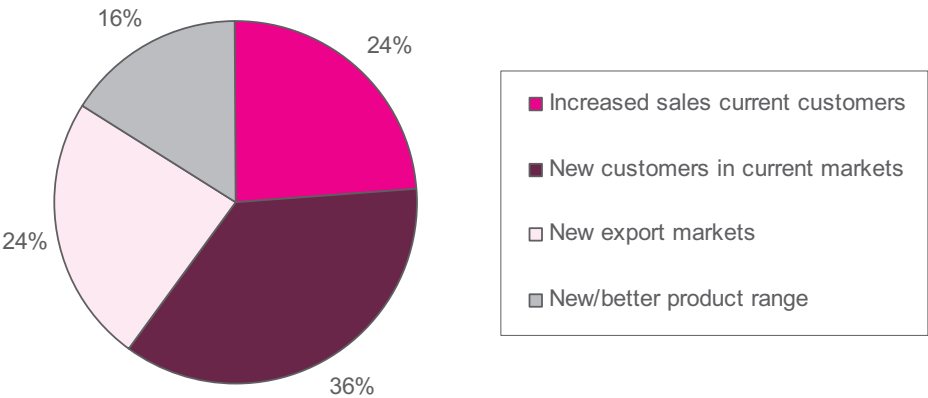


For one third of firms, foreign sales represent more than 50% of their total sales. Almost half of respondents sell less than 25% abroad. Only a small fraction of these foreign sales are realized outside the EU. The share of sales outside the EU in total foreign sales is less than 10% for two thirds of firms. Just over five per cent of respondents sell more than half of their foreign sales outside the EU.

Most firms report an increase in export over the past two years. Only one firm reported a decline in exports, while 26% of firms report stable foreign sales over the past two years. Those firms who managed to increase their export, report an average increase of 32% over two years. For most firms (77%), these sales matched their expectations. One firm performed better than expected, while one out of five firms exported less than expected.

For the next two years, one third of firms expect stable foreign sales, five per cent expect lower sales and 60% expect an increase in their export turnover. Firms expecting a drop in exports foresee on average 15% lower exports over the next two years. The reasons for this decline are the financial crisis and lower sales in the main export market. Those firms expecting an increase in foreign sales expect an increase by 30% on average. The most frequently used strategy to increase foreign sales is market penetration: selling existing products in existing markets. This can be achieved by selling higher volumes to current customers (24%) or by attracting new customers in these markets (36%). Another strategy is market development: entering new markets with existing products. 24% of firms see this as the main driver for increased export. For 16% of firms product development (selling new products in existing markets) is the main driver behind the expected increase in foreign sales.

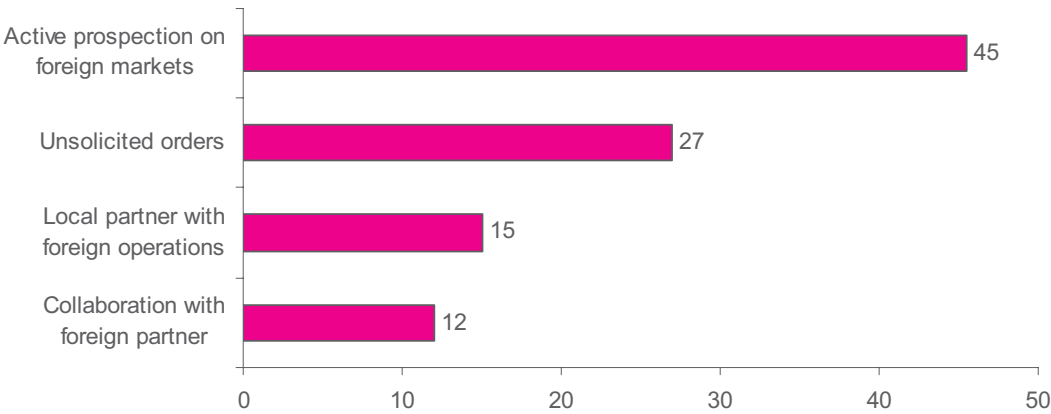
Figure 14: Main reason expected increase in export (2009-2010)



5.3. Why internationalization?

Most firms started their international activities because this was necessary for the growth of the firm. Some firms claimed they had to internationalize to ensure the survival of the firm, while others stated internationalization was necessary to improve the firm's competitiveness.

Figure 15: Start of international activities



A large number of firms (45%) started their international activities by actively looking for customers in foreign markets. Nevertheless, 27% state their international activities started after an unsolicited order from abroad. Partnerships are another important way for SMEs to start internationalizing: 12% started working together with foreign partners, and 15% went abroad responding to a request of an existing customer or supplier in their home market.

5.4. International activities

Eight firms (16%) report international activities other than import and export. International networks or collaboration with foreign partners (12%) and foreign sales subsidiaries (10% of firms) are most common. Foreign production plants (4%) and joint ventures (4%) are less common. Only one firm is using licenses or franchising. Firms participating in foreign networks and firms with foreign sales subsidiaries often also have other foreign activities. Of the six firms with a foreign sales subsidiary, two also have a foreign production plant, two have a joint venture and three have an international network.

On average, firms start these other international activities twelve years after inception and six years after their first export activities. Most of these international activities are in the EU-15 and other European countries. A small number of firms have subsidiaries in North America, the Asia-Pacific region and Africa.

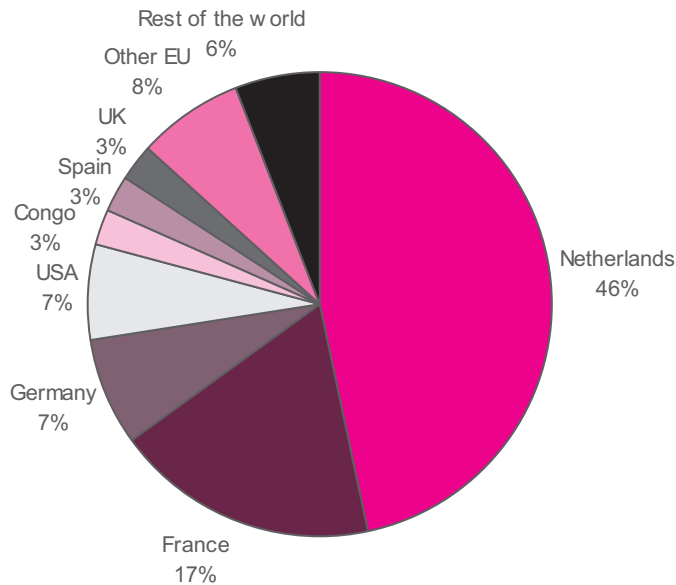
For most firms import is the first international activity. On average, firms started importing after two years. Export followed after an average of 10 years and export outside the EU after 13 years. Older SMEs waited a relatively long time before starting their international activities, recently established SMEs in the sample started exporting after a limited number of years.

Figure 16: Number of years before SMEs start exporting



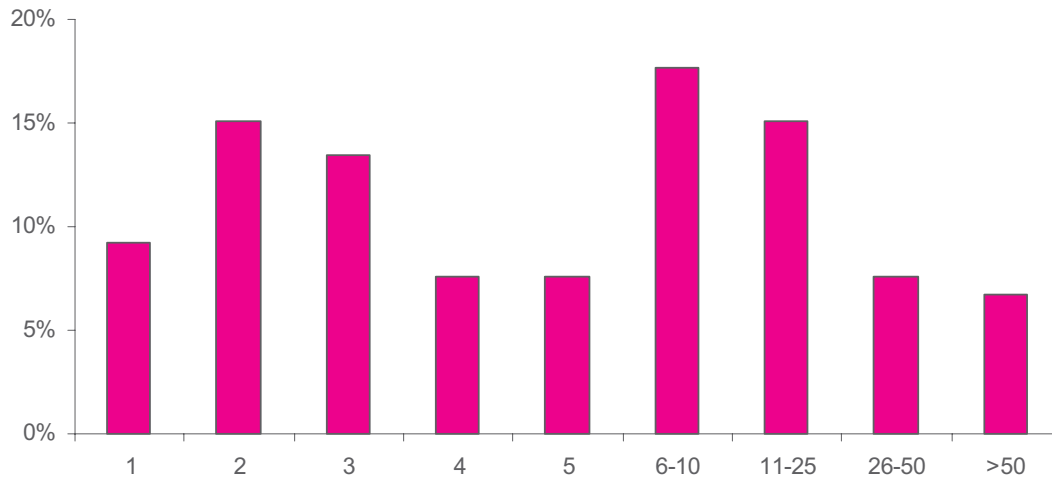
On average, firms established in the last decade started exporting after 1.3 years. Firms established before 1950 waited 45 years on average before their first export. Nevertheless, 17% of SMEs established before 1950 started exporting within the first year after inception. About 30% of firms established after 1990 started exporting within one year.

Figure 17: First export destination



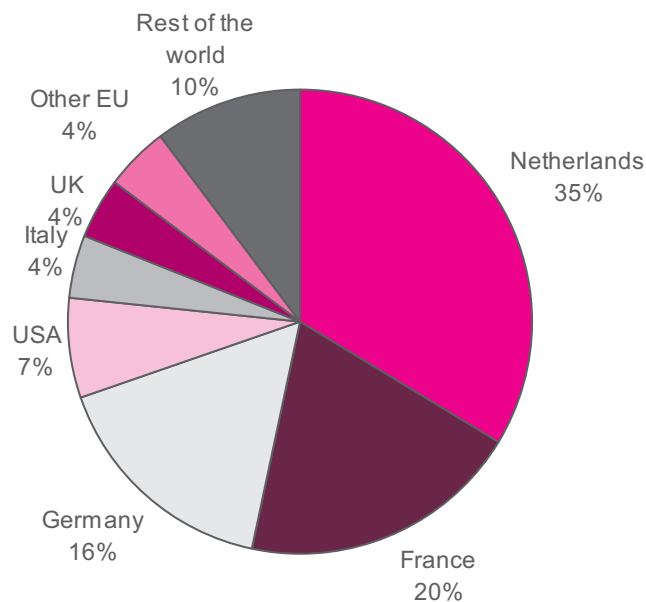
The first export destination was in most cases (74%) one of the neighboring countries: the Netherlands (46%), France (17%), Germany (7%) or Luxembourg (2%). Nevertheless, the USA (9%), Congo, Spain and the UK (each 3%) are also popular first export destinations. Other EU countries include Austria, Hungary, Italy, Poland, and Portugal. Some SMEs started exporting to destinations in other continents, such as Australia, Canada, the Dominican Republic, Egypt, Haiti, India and Thailand. While it may come as no surprise that SMEs in Flanders select neighboring countries as their first export destination, SMEs in other countries do not necessarily use the same approach. Lloyd-Reason & Mughan (2003) found that the most popular first export destination for a sample of SMEs in the UK was the United States. 17% of SMEs started their export activities by exporting to the USA, 11% to France and 8% to Germany. For 40% of SMEs, the first export destination was a country outside Europe.

Figure 18: Number of export markets



On average, firms export to 14.5 different markets. Nine per cent of firms export to one single market, eight per cent export to more than 50 different countries. Most firms (61%) export to between 2 and 10 different countries; 29% export to more than 10 different markets.

Figure 19: Main export destination

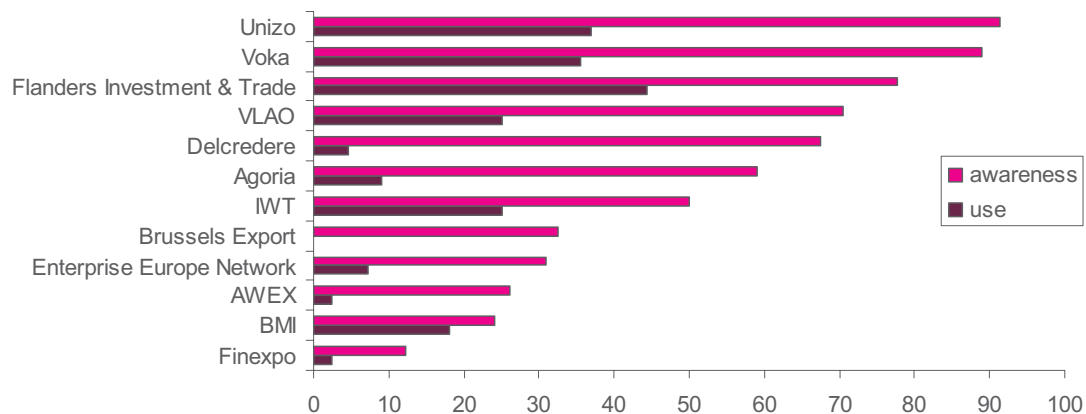


The Netherlands were the main export destination for one third of all firms, followed by France (20%), Germany (16%), the USA (7%), Italy and the UK (both 4%). Other main export markets include Brazil, India, Japan, Kuwait, Luxembourg, Romania, Russia, Spain, Syria, Switzerland, United Arab Emirates, Vietnam and Zimbabwe. For 54% of firms the main export destination was different from the first export destination. In most of these cases the main export destination is a larger country (e.g. Germany, France or the USA instead of the Netherlands).

5.5. Internationalization support

Policies supporting internationalization in Belgium are scattered among different federal and regional organizations. Next to the regional export promotion agencies Flanders Investment & Trade (Flanders), AWEX, (Wallonia) and Brussels Export (Brussels), export support is also offered by federal organizations such as Finexpo, BMI and Delcredere. In Flanders, internationalization is supported by Flanders Investment & Trade (F.I.T.) and PMV, but also by other public bodies such as VLAO and IWT. Recently, VLAO, IWT and Agentschap Economie, in cooperation with F.I.T., have joined forces to form a consortium acting as the Flemish branch of Enterprise Europe Network, offering a wide range of information and other services. In addition, private professional organizations and federations such as VOKA, UNIZO and Agoria also support the internationalization of SMEs. Some organizations only support one aspect of internationalization (e.g. export or foreign investment), while others offer measures for a whole range of modes of internationalization. The nature of the support varies from information to financial support.

Figure 20: Awareness and use of internationalization support

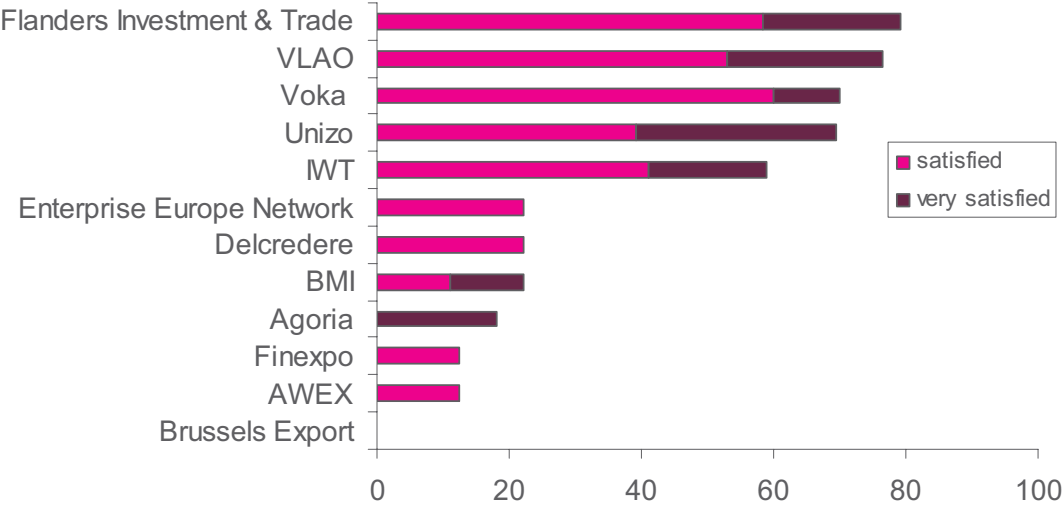


More than 90% of entrepreneurs are aware of the internationalization support offered by Unizo (Organization of self-employed entrepreneurs and SMEs in Flanders and Brussels) and Voka (Flanders' Chamber of Commerce and Industry). Awareness of support offered by Flanders Investment & Trade (FIT), VLAO and Delcredere is also high. These are three organizations funded by the government. While VLAO offers a whole range of support for entrepreneurs, FIT and Delcredere focus on internationalization support. About one third of entrepreneurs are familiar with the support offered by Enterprise Europe Network, a European network of organizations offering internationalization support to SMEs. Most of the respondents are either members of Unizo and/or contacts of FIT, since these partner organizations have sent out the survey to their contacts. It is thus not surprising that a large number of respondents are aware of the support offered by these two organizations.

Most SMEs (62%) have received internationalization support from one or more organizations. Firms receiving internationalization support often use support from multiple organizations. On average, those firms that did use support have received support from 2.8 different organizations. Awareness and use of internationalization support are not evenly distributed among the different organizations.

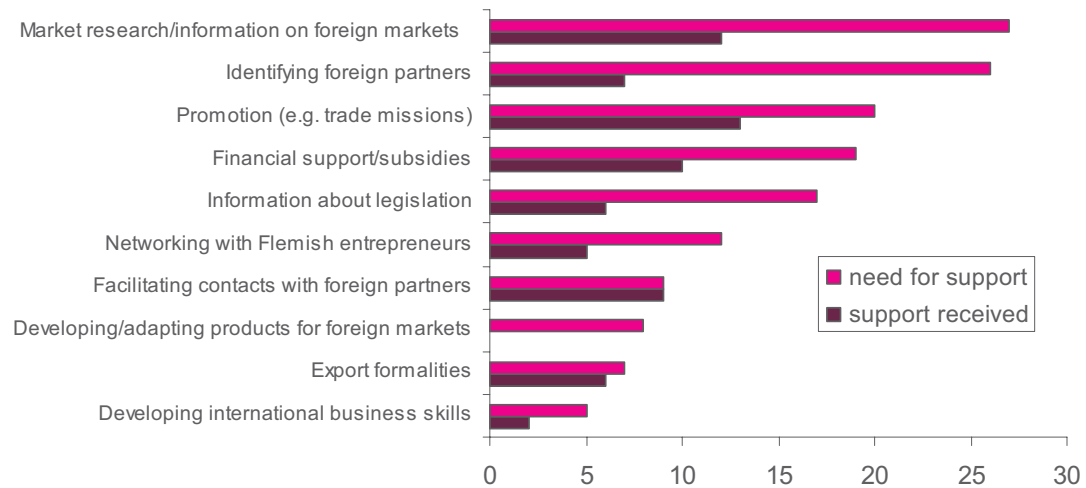
Most firms (57%) that know FIT have also received support from this organization. Other organizations, such as Brussels Export, are known by one third of SMEs, but none of these have made use of the support offered by this organization. For Unizo and Voka, 40% of the firms that are aware of the internationalization support offered by these organizations have received such support. While awareness of support by the IWT is rather limited (50%), use of this support is relatively high (50% of firms that are aware of this support have received support). Delcredere on the other hand is known by two thirds of SMEs, but only 7% of those that are aware of this support have used it.

Figure 21: Satisfaction internationalization support



Those SMEs that received some sort of internationalization support, also evaluated the support they received. Satisfaction was measured on a five point scale, ranging from 1 (absolutely dissatisfied) to 5 (very satisfied), with 3 being neutral. Average satisfaction scores range from 3.0 (Brussels export) to 4.0 (FIT, Unizo and VLAO). A more detailed look at these scores reveals that FIT has the highest percentage (79%) of satisfied customers (scoring 4 or 5, i.e. “satisfied” or “very satisfied”), followed by VLAO (76%). Unizo and Voka both have 70% satisfied customers, and 59% of those SMEs that received internationalization support from IWT are satisfied. All other organizations have much lower satisfaction rates (all below 25%).

Figure 22: Support gaps



In terms of support, entrepreneurs mainly need market research, information about foreign markets and help identifying foreign business partners. There is much less need for support regarding export formalities and developing international business skills. The support that SMEs actually received not always matched this need. In some areas, there is a big gap between the number of SMEs that need support and those that received support. The biggest gap is in identifying foreign business partners. Some SMEs indicated a need for support to develop or adapt their product for export markets, while none of the respondents received such support. In terms of export formalities and facilitating contacts with foreign partners, supply of support matches demand.

A lot of firms could have used support in certain areas, but did not receive any. This could be either because there is a lack of support for these criteria, or because these firms did not find their way to the support that is available. The largest gap is in identifying business partners. This implies that either supply of support in this area is insufficient, or that support does not reach those firms that need it. Another area with a clear lack of support is market research and information on foreign markets. In a small number of cases, firms received support when there was no explicit need for support.

5.6. Limitations

Due to the sampling method that was used, there is selection bias favoring SMEs with international operations over purely domestic SMEs. As the aim was primarily to gain a better understanding of the internationalization process and strategy of SMEs in Flanders, the survey was sent out to SMEs with current international operations and SMEs that are planning to internationalize. This means that the results of this survey cannot be generalized to the total population of SMEs. Nevertheless, data on how many SMEs have international operations are available from other sources, as described in sections 1.4 and 1.5. There should be no sample selection bias in terms of other firm characteristics, such as industry, firm age or size.

5.7. Conclusion

Many SMEs in Flanders still use an internationalization strategy fitting the traditional stage models. Firms start internationalizing after years of purely domestic operations. International activities most often start with import, followed by export after some years. Other forms of internationalization follow much later in the firm's life. Firms that start selling abroad often first enter neighboring countries, in many cases the Netherlands. After a first export experience, a number of firms enter other nearby markets. These markets are often larger (e.g. Germany or France) than the first export market. A number of years later some, firms seek further international expansion outside the EU and outside Europe.

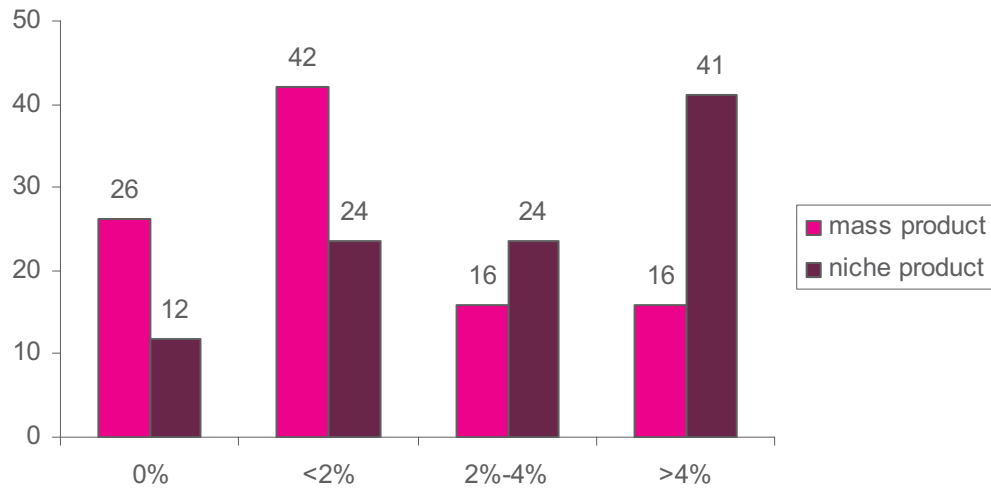
Nevertheless, a number of firms use a different approach to internationalization. These firms start internationalizing rapidly after inception, in many cases even within the first year of operations. These firms often operate in niche markets and use their distinct competences to target narrow market segments in multiple markets across the globe.

5.8. Innovation and Focus Strategies

Innovative firms in niche markets use a different internationalization strategy than firms in mass markets. The product or service they sell often has a relatively short life cycle, resulting in a more rapid internationalization than typically found in firms producing more traditional mass products with longer life cycles. Furthermore, since these firms operate in small niches, domestic demand for these product or services is limited, forcing firms to market it in a large number of markets. As a result, these firms need to rapidly deploy their activities in multiple countries. This would suggest these firms are more inclined to use a sprinkler strategy than a waterfall strategy. Innovation is an essential part of these firms' strategy. Consequently, firms in niche markets are more likely to have substantial research and development spending.

Half of respondents spend more than 2% of turnover on research and development: 22% spend between 2% and 4% and 26% of firms spend more than 4% of turnover on R&D. One third of respondents spend between less than 2% on R&D and 16% of firms have no R&D spending.

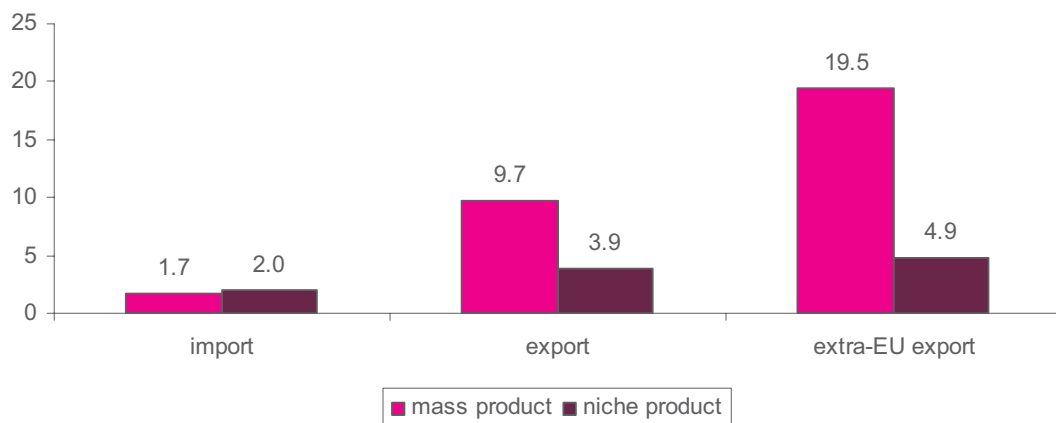
Figure 23: R&D spending (% of turnover)



Firms selling niche products spend more on R&D. About two thirds of firms selling niche products (N=17) spend more than 2% of their turnover on R&D, compared to only one third of firms selling mass products (N=19). Nevertheless, a number of firms in niche markets (12%) indicate they do not spend anything on R&D.

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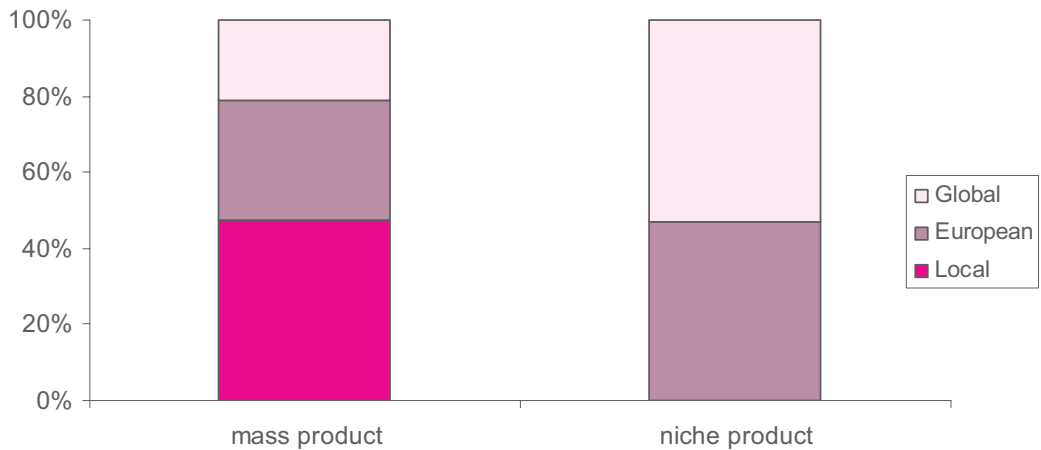
Figure 24: Average number of years before international activities



SMEs selling niche products start internationalizing more rapidly than SMEs selling mass products. There is no significant difference in terms of import; firms selling mass products and those selling niche products start importing on average after about two years. However, there are some marked differences in terms of exporting. Firms in niche markets start exporting after about four years and

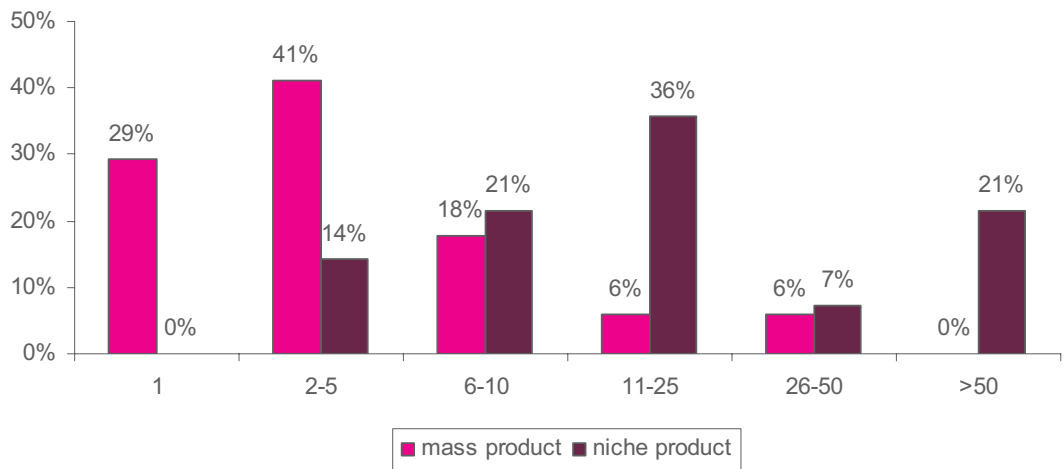
enter their first market outside the EU after five years on average. Firms in mass markets on the other hand wait almost ten years before their first export activities and twenty years before their first export outside the EU.

Figure 25: Relevant market



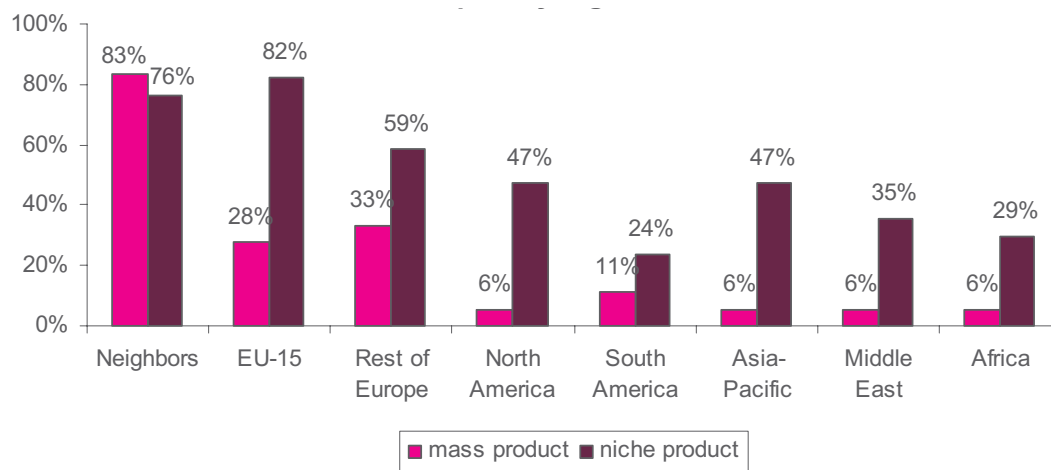
For all firms selling niche products or services, the relevant market is international: the European market (47%) or the global market (53%). For firms selling mass products on the other hand, the relevant market is the local market for 47%, the European market for 32% and the global market for 21% of respondents. Consequently, it is not surprising that firms in niche markets enter international markets more rapidly than their counterparts selling mass products.

Figure 26: Number of export markets



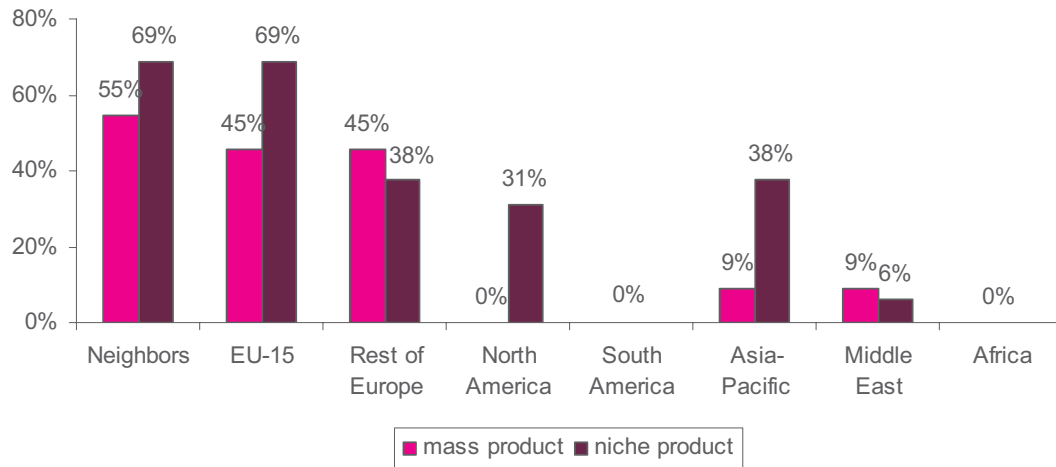
Since the relevant market for SMEs in niche markets is either European or global, it is not surprising to find that these firms export to a large number of countries across the globe. On average, firms in niche markets export to 34 different markets; firms in mass markets export to 6 different markets. Almost 30% of firms selling mass products export to one single country; 88% export to maximum 10 different countries. Firms in niche markets on the other hand have much more widespread export activities. All of these firms export to multiple export markets. Almost two thirds (64%) of these SMEs export to more than 10 different countries. One out of five (21%) exports to more than 50 different countries; compared to none of the firms selling mass products.

Figure 27: Regional distribution of export



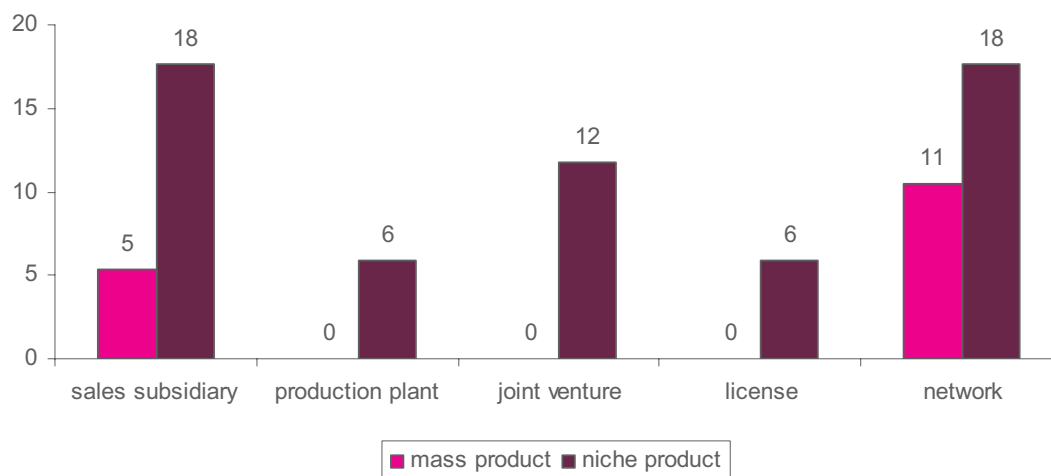
SMEs in niche markets claim the relevant market is either European or global. Many of these firms are indeed operating on a global scale. On average, these firms export to 4.5 different regions, compared to 1.7 regions for firms in mass markets. While 60% of firms selling niche products export to at least 4 different regions, only 5% of firms selling mass products do. Twenty per cent of firms in niche markets export to all regions. Firms in mass markets export their products or services to a limited number of markets. Many of these firms export only to neighboring countries. Only 28% export to other EU-15 countries and one out of three exports to other European countries. Very few firms selling mass products export to markets outside Europe. On the other hand, almost 50% of niche sellers export to North America of Asia-Pacific. One out of three export to the Middle East, 49% to Africa and 24% to South America.

Figure 28: Regional distribution of import



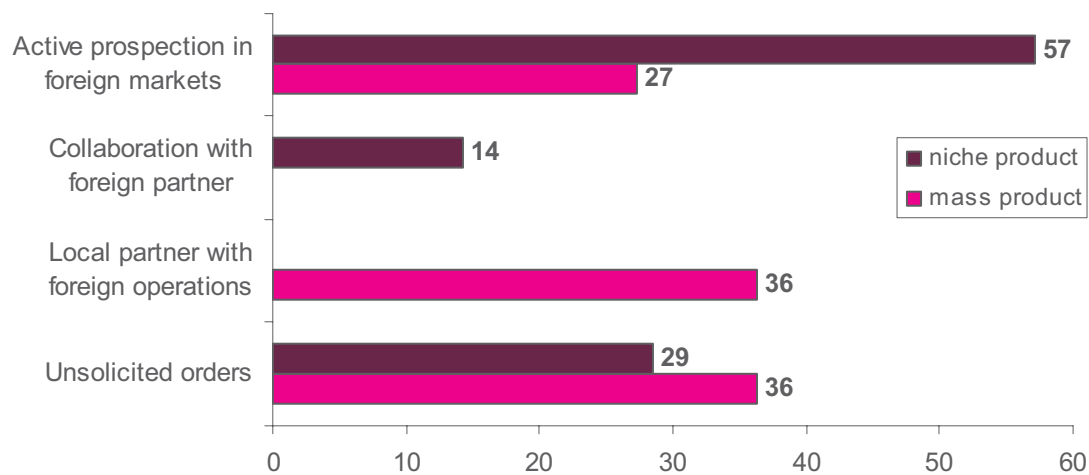
42% of firms selling mass products and only 6% of firms selling niche products do not have any import activities. Those SMEs that import goods and/or services, mainly source from European countries. The share of SMEs in mass markets importing from EU-15 countries is as high as the share of those importing from other European countries. SMEs in niche markets on the other hand tend to import more from EU-15 countries and less from other European countries. While 38% of firms in niche markets import from the Asia-Pacific region and 31% from North America, only 9% of firms in mass markets import from Asia-Pacific and none from North America. Only a small fraction of SMEs import from the Middle East and none of the respondents purchase goods or services from suppliers in Africa or South America. Firms in niche markets thus not only spread their export activities globally, they also import from a wider variety of regions across the globe.

Figure 29: Other international activities



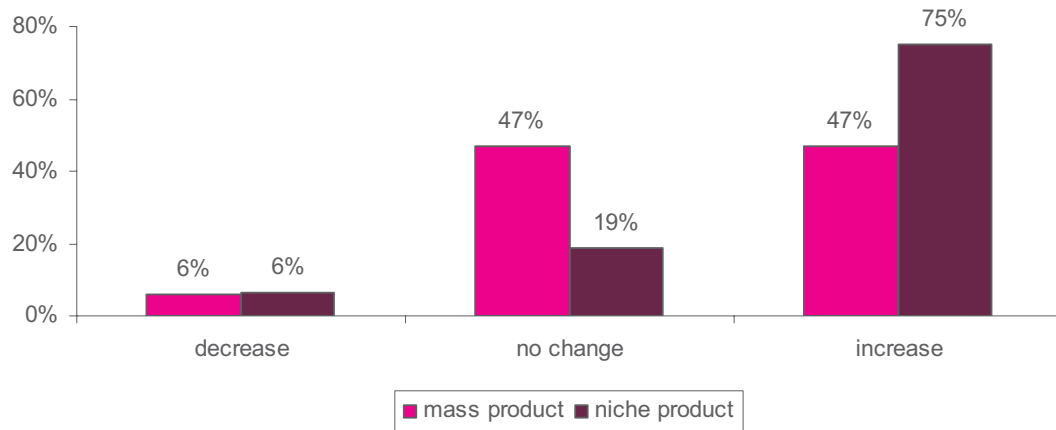
25% of firms in niche markets and 11% of firms in mass markets have other international activities next to import and export. 12.5% of firms in niche markets and 39% of respondents in mass markets have no international activities. Firms in niche markets have more diverse international operations than firms in mass markets. 18% of firms selling niche products have foreign sales subsidiaries and 6% have a production plant abroad. International networks (18%), joint ventures (12%) and licenses (6%) are other modes of internationalization used by SMEs in niche markets. SMEs selling mass products do not use these high risk/high commitment modes of internationalization as often as firms in niche markets do. Only 5% of SMEs selling mass products have a foreign sales subsidiary and 11% are part of an international network. None of the respondents in mass markets claim to have production plants or joint ventures abroad.

Figure 30: Start of international activities



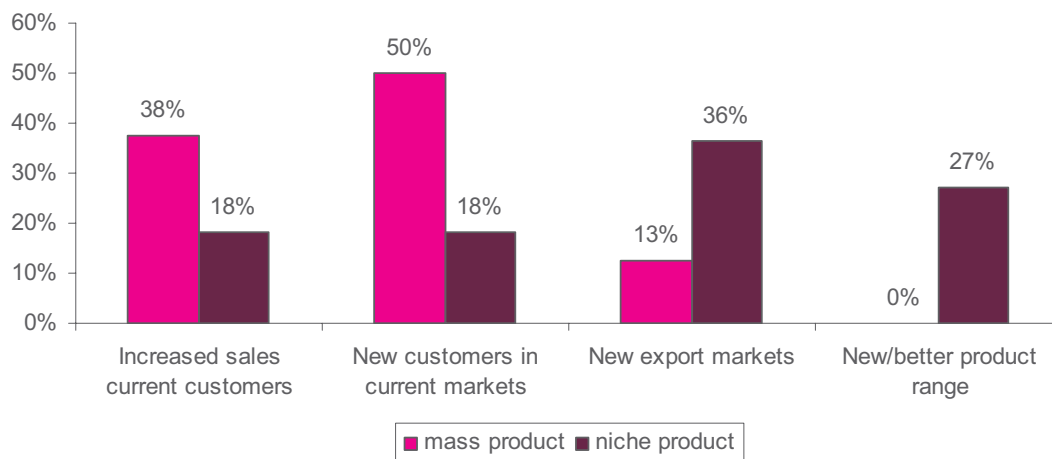
A remarkable difference between firms selling mass products and those selling niche products is the reason why they started their international operations. Firms in niche markets have a more proactive attitude towards internationalization. Most of these firms (57%) started their international operations through active prospection in foreign markets, compared to only 27% of firms selling mass products. Collaboration with foreign partners was an important motive for 14% of firms selling niche products. Firms selling mass products on the other hand started their international operations following a request from a local partner with foreign operations (36% compared to none of the firms selling niche products). Unsolicited orders are important for both, but slightly more important for firms in niche markets.

Figure 31: Expected evolution of foreign sales (2009-2010)



Most firms selling niche products or services (75%) expect their foreign sales to increase in the next two years and 19% anticipate a status quo. Firms selling mass products are less optimistic about the evolution of their export turnover. Only 47% expect an increase and another 47% expect their foreign sales volume to be similar to current foreign sales. A minority of 6% of firms in both groups expect their foreign sales to drop in the coming years.

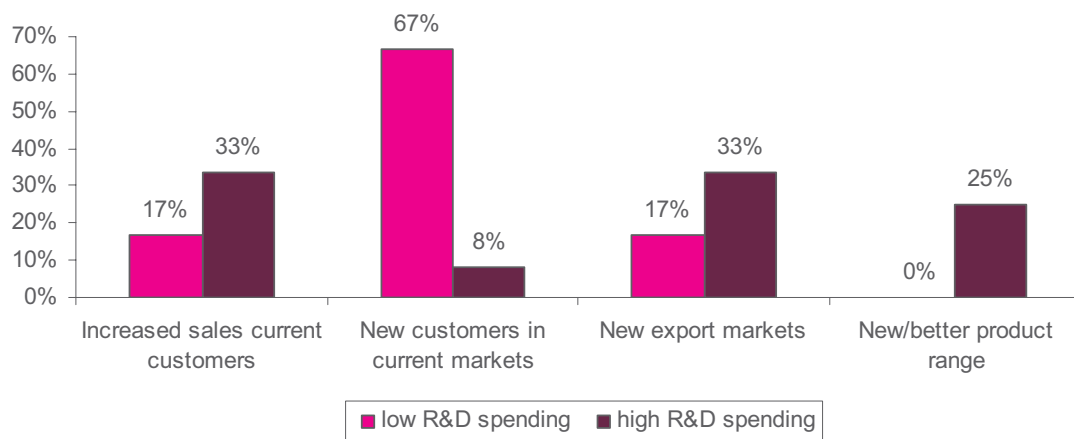
Figure 32: Main reason expected increase in foreign sales



The drivers behind the expected increase in foreign sales are diverse. None of the respondents saw improved economic conditions in the export market or a price increase as the main reason why their foreign sales would increase. For those firms expecting an increased turnover in the next two years, those firms selling mass products seek increased sales mainly in their current export markets, while firms in niche markets count on new product-market combinations to generate higher sales. Firms in mass markets expect to sell more to current customers (38%) and to attract new customers in their current export markets (50%). Only 13% expect entering new export markets to be the main driver of increased foreign sales.

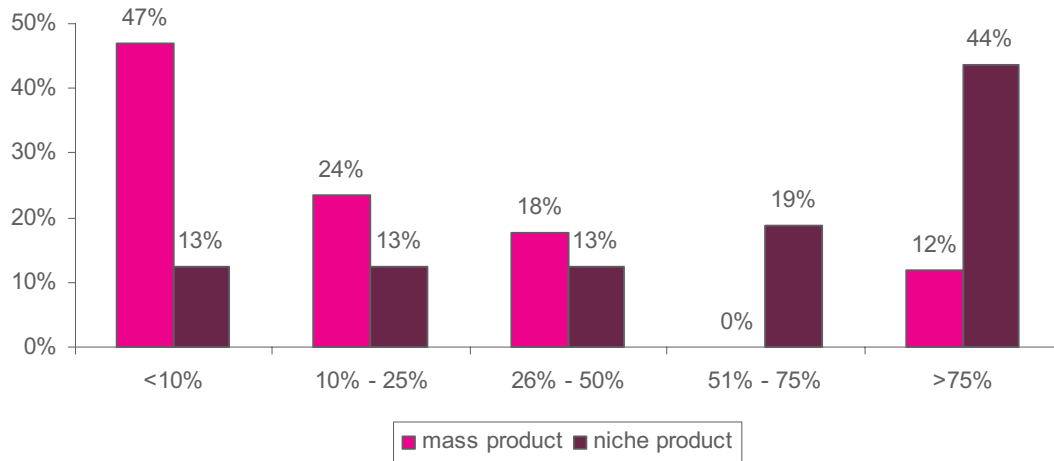
Firms operating in niche markets paint a totally different picture. The higher foreign sales volume is primarily driven by entering new export markets (36%). Innovation is another important driver, as 27% of firms expect new products to generate a higher turnover. Only 36% of firms selling niche products count on their current export markets to increase foreign sales: 18% plan to sell more to existing customers and 18% want to convince new buyers in their current export markets. Firms in niche markets thus see new markets and new products as the main driver behind higher foreign sales. Firms in mass markets on the other hand count on their current products and on their current export markets to generate higher sales; either by selling more to current buyers or by finding new customers in these markets. None of the firms selling mass products count on their product range to increase their foreign turnover. This is not surprising, given the relatively low R&D spending of these firms (cf. Figure 23: R&D spending). Firms in niche markets tend to spend more on R&D and consequently expect an improved product offering to generate increased sales.

Figure 33: R&D spending and expected increase in foreign sales



R&D intensive SMEs count on their innovations to increase their foreign sales. 25% of these firms see an improved product range as the main driver behind increased foreign sales and one third think increased sales will mainly come from new export markets. Firms with limited R&D spending (<2% of turnover) mainly count on new customers in current markets (67%) to increase foreign sales.

Figure 34: Share of foreign sales in total sales



Firms selling niche products are not only active in more export markets in different regions across the globe, they also depend more heavily on foreign sales than firms selling mass products. Almost two thirds (63%) of firms in niche markets generate more than half their turnover in foreign markets, compared to 12% of firms in mass markets. For most firms in mass markets, the home market still accounts for the bulk of their sales: 47% sell less than 10% of their turnover abroad and 24% generate between 10% and 25% of their turnover in foreign markets. Less than one third of these firms (30%) sell more than 25% of total sales outside their home market.

5.9. Summary of findings

SMEs operating in niche markets use an internationalization strategy different from the one used by SMEs in mass markets. The nature of these niche products, i.e. the short (international) product life cycle, requires these firms to enter global markets simultaneously (sprinkler strategy) rather than sequentially (waterfall strategy). Advantages and disadvantages of both strategies are described in section 3.6.

Firms in niche markets thus opt for a rapid international expansion, as evidenced by the shorter lag between startup and internationalization, the presence in a larger number of markets and the geographical spreading of international activities across the globe. Firms selling niche products also indicate the relevant market for their product is either European or global. This implies these firms are more likely to opt for a sprinkler strategy, in which multiple markets are entered, rather than a waterfall strategy. These SMEs also indicate that entering new markets is the main driver for their foreign turnover, whereas SMEs in mass markets aim to increase sales in markets in which they already have a presence.

These SMEs also use a more proactive approach to internationalization and are more involved in international networks. They also use multiple modes of internationalization, including foreign sales subsidiaries, production plants, joint ventures and licenses. They are more likely to source their inputs from foreign countries, often outside Europe.

Firms in niche markets spend more on research & development. These SMEs are also more optimistic about the further growth of their international turnover. This increase in foreign sales is mainly driven by new and improved products and by entering new markets. The share of foreign sales in total sales is also higher for firms selling niche products.

5.10. Implications for managers and policy makers

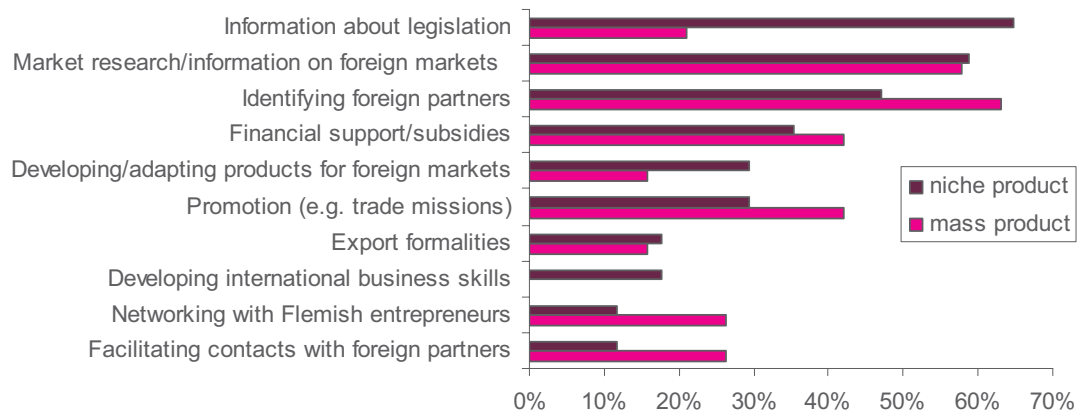
The traditional view of small firm internationalization in incremental stages (Johanson & Vahlne, 1977) implies that firm size, age and experience have a direct and positive relationship with the extent of internationalization. This view has been challenged by Oviatt & McDougall (1994), who found increasing evidence of firms that are international from inception. Bürgel et al. (2001) claim that for start-up companies in high-technology industries, the question is not whether the firm will internationalize but when. Still, in many sectors, the question whether a firm will internationalize is a valid one, as evidenced by the large number of SMEs operating only in the domestic market. Despite the increasing prevalence of these international new ventures, evidence from Belgian SMEs (Onkelinx & Sleuwaegen, 2008) shows that export is still more common among older firms. Nevertheless, the results from this survey suggest that the number of rapidly internationalizing SMEs is increasing.

Early internationalization enables firms to capture market share fast and may be necessary when product life cycles are short. Possible benefits of delayed internationalization are higher productivity and a stronger competitive position. There is substantial evidence that only the more productive firms export, i.e. those firms that have reached a certain productivity level necessary to compete in international markets. This self selection requires firms to reach high levels of productivity before entering foreign markets.

Firms in niche markets clearly have a different internationalization strategy than firms in mass markets. These firms choose to introduce their products simultaneously in global markets (sprinkler strategy), while firms in mass markets initially focus on the domestic market, before foreign markets are entered sequentially (waterfall strategy). Global competition increasingly pushes firms to opt for a sprinkler strategy. However, Kalish et al. (1995) demonstrate that certain conditions favor a waterfall strategy. Especially when product life cycles are long and foreign markets are characterized by slow growth rates, low innovation rates and weak competition, a waterfall strategy may be the preferred choice. The strategic decision on the sequence of international expansion has important implications on firm performance and survival. SMEs proceeding cautiously and incrementally into international markets may face fewer risks and pitfalls compared to rapidly and globally internationalizing SMEs, and may therefore have higher chances of survival.

Management will have to balance advantages and disadvantages of both strategies in their internationalization decision and ultimately make decisions that best fit the specific situation of the firm and conditions in its environment. Policy makers also need to take these factors into account when developing support schemes. Programs for internationalization support aimed at SMEs need to target these different types of internationalizers and offer support adjusted to the specific needs that these different strategies entail. Entrepreneurs not only use different internationalization strategies, they also have different needs for internationalization support.

Figure 35: Need for support



SMEs in niche markets primarily need information about legislation in foreign markets (65%), whereas for SMEs in mass markets this is not considered a prime concern (21%). For SMEs selling mass products, the main need is identifying foreign partners (63%). SMEs in niche markets also find this important (47%), but not to the same extent. Evidently, both groups would appreciate financial support or subsidies, although slightly more SMEs in mass markets (42%) than those in niche markets (35%). A clear difference is in the need to develop or adapt products for foreign markets. Almost twice as many SMEs in niche markets (29% vs. 16% of SMEs in mass markets) indicate a need for support in this area. 18% of SMEs in niche markets indicate a need to develop international business skills, while SMEs in mass markets do not need any support to develop these skills. These SMEs selling mass products could benefit more from promotional support (42%), networking with Flemish entrepreneurs that have international activities (26%) and facilitating contacts with foreign business partners (26%). These needs are more common among SMEs in mass markets than among SMEs in niche markets. Despite these differences, there are also some similarities in the need for support. Market research and information on foreign markets is ranked second for both SMEs in niche markets (59%) and SMEs in mass markets (58%). This seems to be a universal need most SMEs are confronted with, regardless of their industry or strategy. Support regarding export formalities is also a common need in both types of SMEs (16% and 18%).

Organizations offering support to internationalizing SMEs should adjust their services based on the needs of these SMEs. Since these firms have different needs based on their industry, the product they sell and their strategy, offering the right type of services to the right firms is crucial for support measures to be effective. In some areas, need for support is similar for different types of SMEs, while in other areas the perceived need is clearly different. Acknowledging these differences and adjusting support based on the needs of these firms can help these firms in their internationalization process and increase their chances of success.

For most small firms, going abroad is still a big step in their growth process. SMEs have limited resources and often lack the business contacts that could help them find business opportunities, potential partners and openings in foreign markets. Furthermore, the financial investment needed to internationalize can be a significant barrier to many SMEs. To help SMEs overcome these barriers, national and regional governments have developed support programs. Already in 1919, the first trade promotion agency was created in Finland. Many countries have since followed this example. The potential of SMEs in realizing market integration and improving the external performance of the EU has also received major attention from EU policy makers.

A European study (European Commission, 2004) revealed that about 45% of SMEs in Europe never considered internationalization. In addition to raising the awareness of the need to internationalize, European, national and regional governments and institutions should collaborate and facilitate easier and more widespread access to support programs. Also, firm specific issues such as lack of human resources and the need for financial support for internationalization have to be addressed.

The European Commission (2008) has identified nine areas as essential for the internationalization process of SMEs:

1. Raising awareness
2. High value information
3. Human resources' development programs
4. Supporting the financial needs of internationalization
5. Promotion of networks
6. Supporting the internationalization of services
7. Using internationalization to enhance competitiveness
8. Individualized support
9. Border zones and cross-border cooperation

Many government support programs focus primarily on promoting export, using instruments such as export finance credits, trade missions and joint trade exhibitions. These programs still represent more than 70% of SME internationalization support measures worldwide (European Commission, 2008).

SMEs are increasingly using other forms of internationalization and combine different mutually supporting approaches in their international strategy: offshoring, import, export, FDI, joint-venture, and various collaborative agreements. Our study pointed out that the use of these combinations depends heavily on the chosen strategy of the firm. This also holds for the scope and speed of internationalization. Therefore, individualized support, based on the specific situation of the firm appears to be a more effective approach. Support measures should align with the chosen strategy of the firm, reduce the risk and reinforce the commitment to activities in foreign countries. A useful approach is to link the support to a well developed internationalization plan in collaboration with the supporting agencies. Moreover, internationalization is increasingly linked to innovation. Some countries are implementing integrated policy measures, offering programs that combine innovation and internationalization support. However, many of those programs still fail to meet the needs of SMEs.

SMEs using different internationalization strategies have different needs for support. Crick et al. (2000) found a number of differences between firms using a concentration strategy and those spreading their activities over a number of markets. SMEs using a market concentration strategy wanted policymakers to assist them with efforts to stay competitive in the key markets they operated in. Managers of these firms were aware of demand potential and this had influenced their efforts to concentrate in these key markets. However, they did want assistance in reinforcing ties with parts of their value chain. These firms could use support in areas such as locating joint venture partners and obtaining support to assist subsidiary development. This was outside of the general support that is available from trade promotion bodies.

SMEs using a market spreading strategy on the other hand, were looking for support in finding new markets. These firms want to spread their activities to exploit economies of scale and diversify their risk over more markets. Managers of these firms were inclined to move between markets in times of fluctuating demand. As these firms drop some markets in favor of those offering more potential, there was a need for support in identifying markets with demand, but also the most appropriate mechanisms to service the demand in these countries. Both groups of SMEs ranked government export promotion programs in the last place.

A survey among SMEs in Flanders (ING, 2006) revealed that only one third of internationalizing entrepreneurs think the government can play a useful role in the internationalization process. Areas where government support could be useful are:

- Removing administrative barriers and reducing red tape.
- Reducing, simplifying and international harmonization of rules.
- Subsidies for internationalization and reducing social security contributions.
- Providing information and support.

In addition to initiatives to reduce the administrative burden, governments need to ensure that unnecessary or unreasonable burdens are not implemented in the first place. Another important determinant of the burden of red tape is the time and effort involved in dealing with administrations, collecting the required information and filling out forms. Delays and uncertainty in the provision of information or answers to requests result in additional costs for entrepreneurs. Imposing time limits could lead to reduced costs for businesses, and might also make administrations more accountable and responsive. To further improve this process, one stop shops can deliver substantial savings in time and costs for users by providing seamless, integrated and easily accessible support. This would not only reduce the administrative burden, but would also highlight areas of overlap and redundancies.

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A. BESCHRIJVING VAN DE ONDERNEMING

1. In welke sector is uw onderneming actief?

- Nace-code:
- Of beschrijving:

2. Hoeveel voltijdse werknemers telt uw onderneming momenteel?

3. Oprichtingsjaar (bv. 1985):

4. Hoeveel bedraagt uw jaaromzet voor 2007? (bij benadering)

- <100.000
- 100.000 – 500.000
- 500.001 - 1.000.000
- 1.000.001 - 5.000.000
- 5.000.001 – 10.000.000
- > 10.000.000

5. Wat is het belangrijkste product/dienst van uw onderneming?

- Consumentenproduct
- Business to business product
- Dienst
- Andere:

6. Hoeveel van uw omzet wordt besteed aan onderzoek & ontwikkeling (R&D)?

- 0%
- 0% - 1%
- 2% - 4%
- > 4%

7. Hoe zou u het product/dienst van uw onderneming omschrijven?

Massaproduct				Nicheproduct
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

8. In welke mate is uw product/dienst verschillend van dat van uw concurrenten?

Vrijwel identiek				Zeer verschillend
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

9. Wat is de relevante markt voor dit product/dienst?

- Lokale markt
- Europese markt
- Wereldmarkt

10. Is uw onderneming een familiale onderneming?
- Ja, met enkel familiale aandeelhouders
 - Ja, met een belangrijke externe aandeelhouder
 - Nee
11. Is uw onderneming beursgenoteerd?
- Ja
 - Nee
12. Hoe zou u de internationale ervaring van het management van uw onderneming omschrijven?
- Beperkt
 - Gemiddeld
 - Ruim
13. Wat is uw functie binnen de onderneming?
14. Uw leeftijd:
15. Uw geslacht:
- Man
 - Vrouw

B. IMPORT- EN EXPORTACTIVITEITEN VAN DE ONDERNEMING

1. Importeert uw onderneming goederen of diensten uit het buitenland?
- Enkel goederen
 - Enkel diensten
 - Zowel goederen als diensten
 - Nee → ga naar vraag 5
2. In welk jaar heeft uw onderneming voor het eerst goederen of diensten geïmporteerd?
3. Uit welke regio's importeert uw onderneming goederen of diensten? (gelieve alle regio's aan te duiden)
- ☐ Buurlanden
 - ☐ EU-15
 - ☐ Rest van Europa
 - ☐ Noord-Amerika
 - ☐ Zuid-Amerika
 - ☐ Midden-Oosten
 - ☐ Azië-Pacific
 - ☐ Afrika

4. Welke categorie van producten of diensten is de belangrijkste in uw totale import?
 - Grondstoffen
 - Intermediaire goederen
 - Intermediaire diensten
 - Finale goederen
 - Finale diensten
5. Exporteert uw onderneming goederen of diensten naar het buitenland?
 - Enkel goederen
 - Enkel diensten
 - Zowel goederen als diensten
 - Nee → ga naar vraag 22
6. In welk jaar heeft uw onderneming voor het eerst goederen of diensten geëxporteerd?
7. Wat was de eerste exportbestemming van uw onderneming?
8. In welk jaar heeft uw onderneming voor het eerst goederen of diensten geëxporteerd naar een land buiten de Europese Unie?
9. Wat was de eerste exportbestemming van uw onderneming buiten de Europese Unie?
10. Wat was in 2007 de belangrijkste exportbestemming voor uw onderneming?
11. Naar hoeveel landen exporteert uw onderneming?
12. Naar welke regio's exporteert uw onderneming goederen of diensten? (gelieve alle regio's aan te duiden)
 - ☐ Buurlanden
 - ☐ EU-15
 - ☐ Rest van Europa
 - ☐ Noord-Amerika
 - ☐ Zuid-Amerika
 - ☐ Midden-Oosten
 - ☐ Azië-Pacific
 - ☐ Afrika
13. Is uw onderneming van plan om in de nabije toekomst nieuwe internationale markten te betreden?
 - Nee
 - Nog niet bekend
 - Ja: _____ (Welke markten? Gelieve de landen op te sommen.)

14. Geef een indicatie van het aandeel van uw verkoop in het buitenland als percentage van uw totale omzet in 2007.

- <10%
- 10% - 25%
- 26% - 50%
- 51% - 75%
- >75%

15. Geef een indicatie van het aandeel van uw verkoop buiten de EU als percentage van uw totale verkoop in het buitenland in 2007.

- <10%
- 10% - 25%
- 26% - 50%
- 51% - 75%
- >75%

16. Geef een indicatie van het aandeel van uw export vanuit België als percentage van uw totale verkoop in het buitenland in 2007.

- <10%
- 10% - 25%
- 26% - 50%
- 51% - 75%
- >75%

17. Wat was de evolutie van uw exportactiviteit de afgelopen 2 jaren?

- Toename met %
- Ongeveer gelijk
- Daling met %

18. In welke mate beantwoordt deze evolutie aan uw verwachtingen?

- Beneden verwachtingen
- Gelijk aan verwachtingen
- Boven verwachtingen

19. Wat is de verwachte evolutie van uw exportactiviteit de komende 2 jaren?

- Toename met %
- Ongeveer gelijk => ga naar C
- Daling met % => ga naar vraag 21

20. Wat is de voornaamste reden voor de verwachte toename van uw exportomzet?

- Meer/grotere orders van bestaande klanten
- Nieuwe klanten op huidige exportmarkten
- Nieuwe exportmarkten
- Verbeterde economische situatie op de exportmarkten
- Hogere verkoopprijs
- Beter productassortiment
- Andere:

→ ga naar C

20. Wat is de voornaamste reden voor de verwachte daling van uw exportomzet?

- Wisselkoersverschillen
- Daling omzet belangrijkste exportmarkten
- Focus op kleiner aantal exportmarkten
- Toenemende concurrentie
- Minder verkoopinspanningen
- Stijgende transportkosten
- Andere:

→ ga naar C

21. Waarom exporteert uw onderneming niet? (gelieve de 5 belangrijkste factoren aan te duiden, 1=belangrijkste)

- ☐ De risico's zijn te groot
- ☐ Export maakt geen deel uit van de strategie van de onderneming
- ☐ We zijn te klein om internationaal actief te zijn
- ☐ Te grote concurrentie op buitenlandse markten
- ☐ Onvoldoende financiële middelen
- ☐ Onaangepaste organisatiestructuur
- ☐ Internationalisatie zou onze concurrentiepositie op de binnenlandse markt kunnen verzwakken
- ☐ Product of dienst is niet geschikt voor export
- ☐ Culturele verschillen
- ☐ Moeilijkheden om exportopportuniteiten te identificeren
- ☐ Onvoldoende kennis over export/internationale markten
- ☐ Onvoldoende productiecapaciteit
- ☐ Vrees voor betalingsproblemen
- ☐ Taalproblemen
- ☐ Invoerheffingen/douaneformaliteiten
- ☐ Andere:

22. Heeft uw onderneming in het verleden goederen of diensten naar het buitenland geëxporteerd?

- Ja
- Nee → ga naar vraag 25

23. Waarom werden deze activiteiten stopgezet? (open vraag)

24. Heeft uw onderneming plannen om in de nabije toekomst goederen of diensten naar het buitenland te exporteren?

- Ja
- Nee => ga naar C

25. Waarom overweegt u om met export te starten? (open vraag)

C. INTERNATIONALE ACTIVITEITEN VAN DE ONDERNEMING

1. Heeft uw onderneming naast import of export nog andere internationale activiteiten? (gelieve alle vormen van internationalisatie aan te duiden)
 - ☐ Buitenlandse verkoopafdeling
 - ☐ Buitenlandse productievevestiging
 - ☐ Licentie/franchise
 - ☐ Joint venture
 - ☐ Netwerk/samenwerking met buitenlandse partners
 - ☐ Andere:
 - Geen internationale activiteiten => ga naar D
 - Enkel import/export => ga naar vraag 5
2. In welk jaar is uw onderneming met deze internationale activiteiten gestart?
3. In welke regio's heeft uw onderneming andere internationale activiteiten dan import of export? (gelieve alle regio's aan te duiden)
 - ☐ Buurlanden
 - ☐ EU-15
 - ☐ Rest van Europa
 - ☐ Noord-Amerika
 - ☐ Zuid-Amerika
 - ☐ Midden-Oosten
 - ☐ Azië-Pacific
 - ☐ Afrika
4. Waarom is uw onderneming gestart met internationalisatie?
 - Internationalisatie was noodzakelijk voor het voortbestaan van de onderneming
 - Internationalisatie was essentieel voor de groei van de onderneming
 - Verbeteren van de concurrentiekracht van de onderneming
 - Toegang tot nieuwe markten
 - Toegang tot kapitaal
 - Toegang tot kennis en technologie
 - Toegang tot leveranciers
 - Beschikbaarheid van personeel
 - Bijkomende productiecapaciteit
 - Hoge productiekosten op thuismarkt
 - Wetgeving op thuismarkt
5. Wat was de concrete aanleiding voor uw onderneming om met internationale activiteiten te starten?
 - Spontane orders uit het buitenland
 - Vraag van lokale partner met buitenlandse activiteiten
 - Samenwerking met buitenlandse partner
 - Actieve prospectie op buitenlandse markten

D. ONDERSTEUNING VOOR INTERNATIONALE ACTIVITEIT

1. Bent u op de hoogte van de dienstverlening rond internationalisatie aangeboden door de volgende organisaties?

	Onbekend	Bekend, maar nog geen gebruik van gemaakt	Bekend en gebruik van gemaakt
Agoria	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AWEX	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BMI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brussels Export	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delcredere	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enterprise Europe Network	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Finexpo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flanders Investment & Trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IWT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unizo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
VLAO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Voka	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Andere:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Hoe tevreden bent u over de diensten aangeboden door de volgende organisaties, indien u er gebruik van gemaakt heeft?

	Absoluut ontevreden	Ontevreden	Neutraal	Tevreden	Zeerv tevreden
Agoria	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AWEX	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BMI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brussels Export	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delcredere	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enterprise Europe Network	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Finexpo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flanders Investment & Trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IWT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unizo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
VLAO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Voka	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Andere:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Op welk vlak heeft uw bedrijf nood aan ondersteuning bij het opstarten van internationale activiteiten? (meerdere antwoorden mogelijk)
- ☐ Marktonderzoek/ informatie over buitenlandse markten
 - ☐ Identificatie van buitenlandse partners
 - ☐ Faciliteren van contacten met buitenlandse partners
 - ☐ Ontwikkeling van skills voor internationaal zakendoen (bv. exportgerelateerde training, seminars, workshops)
 - ☐ Netwerking met Vlaamse ondernemers die internationaal actief zijn
 - ☐ Financiële ondersteuning/subsidies
 - ☐ Ondersteuning op het vlak van exportformaliteiten
 - ☐ Informatie over juridische aspecten van internationalisatie (bv. joint venture, licenties, oprichting onderneming in het buitenland)

- ☐ Ondersteuning op het vlak van promotie (bv. buitenlandse handelsmissies, reizen, beurzen)
- ☐ Ondersteuning bij het ontwikkelen/aanpassen van producten voor de exportmarkt
- ☐ Andere:

4. Op welk vlak heeft uw bedrijf ondersteuning gekregen bij het opstarten van internationale activiteiten? (meerdere antwoorden mogelijk)

- ☐ Marktonderzoek/ informatie over buitenlandse markten
- ☐ Identificatie van buitenlandse partners
- ☐ Faciliteren van contacten met buitenlandse partners
- ☐ Ontwikkeling van skills voor internationaal zakendoen (bv. exportgerelateerde training, seminars, workshops)
- ☐ Netwerking met Vlaamse ondernemers die internationaal actief zijn
- ☐ Financiële ondersteuning/subsidies
- ☐ Ondersteuning op het vlak van exportformaliteiten
- ☐ Informatie over juridische aspecten van internationalisatie (bv. joint venture, licenties, oprichting onderneming in het buitenland)
- ☐ Ondersteuning op het vlak van promotie (bv. buitenlandse handelsmissies, reizen, beurzen)
- ☐ Ondersteuning bij het ontwikkelen/aanpassen van producten voor de exportmarkt
- ☐ Andere:

E. OPMERKINGEN

1. Gelieve onderstaande ruimte te gebruiken indien u nog opmerkingen heeft.

- 2. Naam:
- 3. Onderneming:
- 4. Adres:
- 5. Tel:
- 6. Fax:
- 7. E-mail:

8. Indien u een rapport van deze studie wilt ontvangen, gelieve dit vakje aan te vinken: ☐

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